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DEFENSE PRODUCTION ACT EXTENSION, 1960

HEARING
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE
EIGHTY-SIXTH CONGRESS
SECOND SESSION



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S. 3472

A BILL TO EXTEND THE DEFENSE PRODUCTION ACT OF
1950, AS AMENDED, FOR AN ADDITIONAL 2 YEARS

JUNE 7, 1960

Printed for the use of the Committee on Banking and Currency



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DEFENSE PRODUCTION ACT EXTENSION, 1960

TUESDAY, JUNE 7, 1960

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON PRODUCTION AND STABILIZATION,
Washington, D.C.

The subcommittee met, pursuant to notice, in room 5302, New Senate Office Building, at 10:05 a.m., Senator Paul H. Douglas (chairman of the subcommittee) presiding.

Present: Senator Douglas.

Senator DOUGLAS. The subcommittee will come to order.

This morning the Subcommittee on Production and Stabilization is meeting to consider S. 3472, a bill which would extend the remaining powers of the Defense Production Act for 2 additional years; that is, to June 30, 1962.

Under title I, authority is given to grant priorities and to allocate materials. Under title III, financial powers are given to assist in the expansion of productive capacity and supply. Title VII includes, in addition to policy instructions and definitions and certain administrative provisions, authority to approve certain voluntary agreements and to grant them exemption from the antitrust laws, authority to appoint persons to Government positions without compensation, under stringent restrictions, and authority for the executive reserve program.

The committee and the Congress receive regular reports on many of the activities carried on under the Defense Production Act. The Joint Committee on Defense Production, established under the act, follows the activities of the agency closely and issues annual reports, including annual statements from each of the agencies.

I have here before me the Ninth Annual Report of the Joint Committee on Defense Production, January 13, 1960, which consists of some 340 pages. This is the joint committee's most recent report, and covers the activities of the joint committee with material on mobilization from departments and agencies.

The Attorney General submits quarterly reports under section 708 of the act, covering the voluntary agreements and programs and covering the impact of various mobilization programs on the economy generally, with particular reference to competitive factors. The latest report, covering the molybdenum industry, was dated May 9, 1960. These reports have been issued by the Banking and Currency Committee as a series of committee prints.

The Civil Service Commission files quarterly reports with the President and the joint committee concerning the appointments of without-compensation officials and consultants. The latest report covering the period from January 1 through March 31, 1960, will, without objection, be entered in the record of this hearing.

(The report referred to follows:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C.

PERIODIC SURVEY OF APPOINTMENTS UNDER AUTHORITY OF
THE DEFENSE PRODUCTION ACT AND EXECUTIVE ORDER 10647

January 1-March 31, 1960

REPORT OF SURVEY UNDER PARAGRAPH 710(b)(7) OF THE DEFENSE PRODUCTION
ACT AND SECTION 305(a) OF EXECUTIVE ORDER 10647

INTRODUCTION

This survey covers appointments under the authority of subsections 710(b) and 710(c) of the Defense Production Act, as amended by Public Law 295, and Executive Order 10647 for the period January 1, 1960, through March 31, 1960. It is submitted in compliance with those parts of the law and the Executive order which require the Chairman of the U.S. Civil Service Commission to survey such appointments at least once every 3 months and report his findings to the President and to the Joint Committee on Defense Production.

The report consists of (a) a statistical summary of w.o.c.'s on the rolls or appointed during the period; (b) a statistical summary of the paid consultants or experts on the rolls or appointed during the period; and (c) a narrative statement covering the findings in each of the departments or agencies covered by the survey in which there were appointments or separations during the quarter.

On January 1, there were 163 w.o.c. consultants carried on agency rolls under the authority of the Defense Production Act. During the quarter covered by this survey, there were seven new appointments and six separations resulting in an increase of one in the total number carried under this authority at the end of the quarter.

There were three agencies reporting activity during this period. These were the Department of Commerce, which made four new appointments as against six separations; the Office of Civil and Defense Mobilization, which reported one new appointment; and the Department of the Interior, which made two new appointments. The number of consultants and experts serving in other than advisory positions increased from three to four.

The Office of Civil and Defense Mobilization appointed one w.a.e. consultant and separated one during the period covered by this survey. This was the only activity under this section of the Executive order. The total number of w.a.e. consultants on the rolls of all agencies remained at 95.

The survey resulted in the conclusion that all appointments had been made in full conformance with the provisions of the law and the Executive order.

In those agencies making no appointments or reporting no separations, the records were reviewed to determine that the requirements for filing revised financial statements had been met. All such statements were filed with the Federal Register Division within prescribed time limits. Since there was no other activity in this area, these agencies are not included in the narrative coverage which follows.

CHART I

Statistical summary—Appointees without compensation

Agency	W.o.c.'s on rolls Jan. 1, 1960	W.o.c.'s appointed Jan. 1- Mar. 31, 1960	W.o.c.'s separated Jan. 1- Mar. 31, 1960	W.o.c.'s on rolls Mar. 31, 1960	Number in advisory positions	Number in other than advisory positions
Commerce.....	85	4	6	83	80	3
OODM.....	30	1	0	31	30	1
Interior.....	32	2	0	34	34	0
Defense:						
Office of Secretary.....	0	0	0	0	0	0
Army.....	8	0	0	8	8	0
Air Force.....	5	0	0	5	5	0
Navy.....	0	0	0	0	0	0
GSA.....	0	0	0	0	0	0
ICC.....	3	0	0	3	3	0
Labor.....	0	0	0	0	0	0
Total.....	163	7	6	164	160	4

CHART II

Statistical summary—consultants and experts w.a.e.—Not to exceed \$50 per day

Agency	W.a.e.'s on rolls Jan. 1, 1960	W.a.e.'s appointed Jan. 1- Mar. 31, 1960	W.a.e.'s separated Jan. 1- Mar. 31, 1960	Total W.a.e.'s on rolls as of Mar. 31, 1960
Commerce.....	10	0	0	10
OCDM.....	65	1	1	65
Interior.....	3	0	0	3
Defense Department:				
Office of Secretary.....	0	0	0	0
Army.....	10	0	0	10
Navy.....	0	0	0	0
General Services Administration.....	4	0	0	4
Interstate Commerce Commission.....	3	0	0	3
Labor.....	0	0	0	0
Total.....	95	1	1	95

SUMMARY BY AGENCIES

Commerce

The Department of Commerce appointed four consultants under the authority of section 710(b) of the Defense Production Act, during the quarter ending March 31, 1960. Six consultants who had been serving under this same authority were separated during this period. There were 83 w.o.c. consultants and experts on the rolls at the end of the period, 80 of whom were found to be serving in advisory positions with 3 serving in positions having operating responsibilities.

A review of the files in the cases of the four new appointees resulted in a finding that all provisions of the Executive order had been complied with.

On January 1, 1960, the Department of Commerce had 10 appointees on its rolls under section 710(c) of the Defense Production Act. During the quarter covered by this survey, there were no appointments and no separations.

Office of Civil and Defense Mobilization

This Office made one appointment of a w.o.c. consultant under the authority of section 710(b) of the Defense Production Act, with no separations occurring during this period. A review of the file in the case of the new appointee resulted in a finding that he was fully qualified and was serving in an advisory position. There were 31 appointees on the agency's rolls at the end of this period.

The agency had 65 appointees serving under section 101(b) of the Executive order on the rolls at the beginning of the quarter. There was 1 appointment made during the quarter and 1 separation, leaving a total of 65 appointments at the end of the reporting period. A check of the Federal Registers showed that the only required statement of financial interests which had not been filed was that of Charles J. Hedlund. The agency has initiated action to obtain this statement.

Interior

The Department of the Interior reported 32 appointees under section 101(a) of the Executive order on the rolls at the beginning of the quarter. There were 2 appointments and no separations during this quarter, leaving a total of 34 on the rolls at the end of the period. A review of the files indicates that all records are properly maintained and all statements of changes in financial interests had been published in the Federal Register within prescribed time limits.

The Department continues to carry the three consultants appointed under section 101(b) which were reported in the last quarter. There were no new appointments under this section of the Executive order.

Senator DOUGLAS. The Office of Civil and Defense Mobilization also submits quarterly reports prepared by GSA on the borrowing authority as required in section 304(b) of the Defense Production Act. The latest of these reports is the one for the first quarter of 1960. These reports cover all agency operations for the borrowing authority funds under title III of the Defense Production Act. In particular these reports show the gross amount of each transaction imposing contingent liability on the United States and the basis for determining its ultimate net cost to the United States.

Without objection, several tables from the latest borrowing authority report—the report for the quarter ending March 31, 1960—will be inserted in the record.
(The tables referred to follow:)

QUARTERLY REPORT ON BORROWING AUTHORITY

TABLE 3.—Long range forecast of probable cash requirements

Assumptions:

1. Probable deliveries from contracts in effect as of Mar. 31, 1960.
2. Estimated sales under approved programs.
3. Payment of interest at note maturity for procurement activities under sec. 303 and currently for lending activities under sec. 302.

[Thousands of dollars]

	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	Total, fiscal year 1960-65
A. General Services Administration:							
1. Cumulative net expenditures, beginning of year.....	\$1,676,418	\$1,815,384	\$1,948,706	\$2,052,187	\$2,153,120	\$2,287,880	\$1,676,418
2. Activity during period:							
(a) Expenditures:							
(1) Purchase of materials.....	173,191	160,462	100,666	57,067	29,365	27,470	548,221
(2) Treasury interest.....	25,237	781	12,086	45,719	101,913	110,966	296,702
(3) Other expenditures.....	5,119	5,684	5,171	3,827	3,650	3,615	27,066
(4) Total expenditures.....	203,547	166,927	117,923	106,613	134,928	142,051	871,989
(b) Receipts:							
(1) Sales to stockpile.....	0	0	0	0	0	0	0
(2) Sales to others.....	58,835	30,969	14,000	5,444	0	0	109,248
(3) Other receipts.....	5,746	2,636	442	236	168	161	9,389
(4) Total receipts.....	64,581	33,605	14,442	5,680	168	161	118,637
(c) Net expenditures, and of period.....	138,966	133,322	103,481	100,933	134,760	141,890	753,352
3. Cumulative net expenditures, end of period.....	1,815,384	1,948,706	2,052,187	2,153,120	2,287,880	2,429,770	2,429,770
B. Other agencies:							
1. Cumulative net expenditures, beginning of period:							
(a) Interior Department.....	30,774	31,107	30,907	30,647	31,667	31,267	30,774
(b) Agriculture Department.....	58,807	65,252	65,252	65,252	65,252	65,252	58,807
(c) Treasury Department.....	148,894	139,663	126,309	113,877	98,952	83,952	148,894

(d) Export-Import Bank.....	24,767	19,700	14,717	11,238	3,894	-3,625	24,767
(c) Total.....	263,242	255,722	240,185	221,014	199,765	176,846	263,242
2. Net Expenditures or Receipts (-) during period:							
(a) Interior Department.....	333	-200	-260	1,020	-400	-150	343
(b) Agriculture Department.....	6,445	0	0	0	0	0	6,445
(c) Treasury Department.....	-9,231	-10,354	-15,432	-14,925	-15,000	-14,974	-79,916
(d) Export-Import Bank.....	-5,067	-4,983	-3,479	-7,344	-7,519	-2,052	-30,444
(c) Total.....	-7,520	-15,537	-19,171	-21,249	-22,919	-17,176	-103,572
3. Cumulative net expenditures, end of period.....	255,722	240,185	221,014	199,765	176,846	159,670	159,670
C. Grand total, all agencies:							
1. Cumulative net expenditures, beginning of year.....	1,939,860	2,071,106	2,188,891	2,273,201	2,352,885	2,464,728	1,939,860
2. Net expenditures during year.....	131,446	117,785	84,310	79,684	111,841	124,714	649,780
3. Cumulative net expenditures, end of year.....	2,071,106	2,188,891	2,273,201	2,352,885	2,464,728	2,589,440	2,589,440
4. Add working cash requirements.....	15,000	10,000	8,000	5,000	3,000	0	0
5. Total funds required.....	2,086,106	2,198,891	2,281,201	2,357,885	2,467,728	2,589,440	2,589,440
6. Deduct fund availability:							
(a) Borrowing authority limitation.....	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
(b) Appropriation.....	108,000	108,000	108,000	108,000	108,000	108,000	108,000
Total fund availability.....	2,208,000	2,208,000	2,208,000	2,208,000	2,208,000	2,208,000	2,208,000
7. Surplus (+) or deficit (-).....	+121,894	+9,109	-73,201	-149,885	-259,726	-381,440	-381,440

TABLE 4.—*Utilization of authority to borrow from U.S. Treasury, as of Mar. 31, 1960*

[Thousands of dollars]

Agencies authorized to borrow from U.S. Treasury	Borrowing authority allocated	Transactions with U.S. Treasury			Available for borrowing
		Cumulative amount ¹			
		Borrowed	Repaid	Balance outstanding	
General Services Administration-----	\$1,912,000	\$1,984,700	\$270,000	\$1,714,700	\$197,300
Department of Treasury (RFC)-----	166,600	277,065	135,065	142,000	24,600
Export-Import Bank-----	25,500	53,246	30,922	22,324	3,176
Department of Agriculture ² -----	67,784	63,755	0	63,755	4,029
Department of Interior-----	35,800	32,000	0	32,000	3,800
OCDFM reserve-----	316	0	0	0	316
Total-----	2,208,000	2,410,766	435,987	1,974,779	233,221

¹ Includes refinancing.² In addition, CCC funds are being used temporarily in lieu of borrowing from the Treasury.

TABLE 5.—*Status of gross transactions and probable ultimate net cost by agency as of Mar. 31, 1960*

Agency	Gross transactions			Probable ultimate net cost			
	Certified (1)	Contracted		Certified (5)	Total probable ultimate net cost (6)	Losses realized (7)	Estimated losses (8)
		Total (2)	Complete (3)	Incomplete (4)			
General Services Administration.....	\$7,643,898	\$7,436,544	\$6,648,379	\$788,165	\$1,023,299	\$334,978	\$762,694
Department of Agriculture.....	111,241	111,191	111,184	7	67,784	67,007	184
Department of Treasury.....	430,389	341,579	340,645	934	1,600	67,763	837
Export-Import Bank of Washington.....	45,206	45,206	45,206				
Department of Interior.....	35,800	35,843	34,656	1,187	35,800	16,863	17,652
Total.....	8,266,534	7,970,363	7,180,070	790,293	1,128,493	419,611	781,197

Manganese, metallurgical.....	445,134	441,268	219,306	60,108	288,414	152,864	21,124	101,496	1,445	124,066
Manganese synthetic dioxide.....	4,789	4,789	4,789	---	4,789	---	(681)	181	(122)	(622)
Marine turbine and gear.....	8,000	---	15	15	---	---	15	---	---	15
Mercury.....	45,024	45,028	6,816	38,213	45,028	---	(12)	---	---	(12)
Mica.....	76,414	60,494	44,766	5,743	50,509	9,975	8,901	14,723	6,104	29,728
Mineral development.....	93,849	93,849	39,971	53,878	93,849	---	314	---	---	314
Molybdenum.....	---	---	---	---	---	---	---	---	---	---
Monazite sands and rare earths.....	---	---	---	---	---	---	---	---	---	---
Nickel.....	834,070	814,006	464,257	41,546	505,805	308,201	19,670	36,265	49,182	105,137
Nitrol.....	882,539	882,539	882,539	---	882,539	---	(7,263)	---	---	(7,263)
Rubber.....	---	---	10	---	---	---	10	---	---	10
Rutile.....	---	---	---	---	---	---	---	---	---	---
Scrap.....	---	---	553	---	553	---	---	---	---	---
Selenium.....	---	---	228	---	228	---	---	---	---	---
Tin.....	179,377	179,377	179,377	---	179,377	---	3,047	136	---	228
Titanium.....	231,570	230,896	204,414	12,879	219,285	11,603	(3,967)	131,002	10,734	4,068
Tungsten.....	388,590	388,590	388,590	---	388,590	---	7,165	229,088	---	137,749
Zinc.....	98,082	98,082	28,332	---	28,332	---	---	---	---	28,332
Zinc dust.....	12,777	13,832	8,324	---	8,324	---	---	30	10,500	18,534
U.S. Treasury interest ¹	177,408	260,588	180,749	---	180,749	79,899	8,343	79,899	79,899	260,588
Administrative expenses ¹	22,346	29,800	21,683	---	21,683	8,197	190,749	83	8,114	29,800
Loss on disposal of assets, depreciation and other expenses not identified with specific commodities.....	---	---	---	---	---	---	---	---	---	---
Agriculture, total.....	111,241	111,191	111,184	---	111,184	---	1,246	---	---	1,246
Cashew beans.....	---	---	---	---	---	---	---	3	181	67,191
Cotton.....	21,832	21,833	21,826	---	21,826	7	67,007	---	---	5,612
Kanef seed.....	16,749	16,748	16,748	---	16,748	---	---	---	91	8,848
Lapsed oil.....	1,728	1,728	1,728	---	1,728	---	---	3	90	8,848
Tung oil.....	62,640	62,640	62,640	---	62,640	---	---	---	---	1,388
Tung seed.....	---	---	---	---	---	---	---	---	---	43,686
Tung oil.....	---	---	---	---	---	---	---	---	---	72
Treasury interest.....	7,585	7,585	7,585	---	7,585	---	7,585	---	---	7,585
Treasury, tin, total.....	42,444	42,444	41,607	---	41,607	837	763	---	837	1,600
Grand total (procurement).....	7,797,583	7,590,179	4,044,064	2,757,116	6,801,170	789,009	402,748	580,844	182,771	1,166,363

¹ Certifications are issued by OCDM to cover custodial, Treasury interest and administrative expenses through the current fiscal year only, whereas requirements are estimated through June 30, 1965.

TABLE 10.—Status of working capital loans, facility loans and exploration grants by agency and program as of Mar. 31, 1960

[Dollars in thousands]

Program	Total	Eximbank	Interior	Treasury		Gross/transactions contracted					Probable ultimate net cost						
		Eximbank	Interior	Treasury	Canceled	Disbursed	Repay- ments and retire- ments	Writeoffs or losses realized	Outstand- ing balance against dis- bursements	Undis- bursed balance	Losses realized	Estimated future losses	Total prob- able ulti- mate net cost				
1. Gross transactions certified.....	\$468,951	\$45,206	\$35,800	\$387,945	4. Borrowing authority certified:									\$433,151	\$45,206	\$35,800	\$387,945
2. Gross transactions contracted.....	380,184	45,206	35,800	299,135	(a) Working capital.....									35,800			
3. Available for contracting.....	88,767		(43)	88,810	(b) Probable ultimate net cost.....									45,206	35,800	387,945	
					(c) Total.....									468,951			
Gross/transactions contracted																	
Loans, working capital advances and exploration grant	Gross amount	Government share	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)				
Aircraft and aircraft parts.....	\$15,744	\$15,744		\$15,744	\$15,306		\$438										
Aluminum and magnesium extrusions.....	491	368		60	1												
Antimony.....	654	587	\$82	286	5	\$81	204										
Asbestos.....	461	430	102	253	171	61	36										
Building construction and materials.....	1,761	1,761		1,761	1,761												
Chemical and allied products.....	4,396	4,396		4,396	4,353		43										
Chromium.....	76	38		28	22		6										
Clothing and equipage.....	1,276	1,276		1,276	1,276												
Coal and coke.....	2,227	2,227		2,227	2,227												
Cobalt-nickel.....	2,350	1,557	517	1,018	187												
Columbium-tantalum.....	52	47	16	31		150	681			\$22	150	703	\$53				
Copper.....	153,010	151,255	641	150,590	34,269	142	116,179			24	142	738	880				
Copper and cobalt.....	22,400	22,400		22,400	12,403		9,997										
Corundum.....	36	32		32			32					32	32				
Electrical, electronics, and X-ray.....	14,777	14,777		14,777	14,777												
Fabricated metal products.....	4,322	4,322		4,322	4,322												
Fluorspar.....	638	319	119	200	49	64	87				64	87	151				
Food processing and manufacturing.....	625	625		625	625												
Graphite.....	2	1		1													
Iron.....	635	342	142	200	70	1	124				1	124	1				
Lead-zinc.....	17,569	8,819	2,218	6,066	480	1,140	4,466			505	1,140	4,971	6,111				
Lead-zinc-copper.....	9,067	4,502	785	3,456	131	604	2,721			311	604	3,032	3,636				
Machinery and components.....	17,407	17,407		17,407	17,099		308										

Manganese.....	17,626	264	17,222	266	136	16,820	140	136	563	729
Mercury.....	2,119	808	1,237	717	313	207	74	313	281	594
Mica.....	1,385	396	1,997	113	610	274		610	274	884
Molybdenum.....	1,050		709	540		169	86		255	255
Monazite (rare earths).....	123	30	76	41	14	21		14	21	35
Munitions.....	4,542		4,542	4,542						
Petroleum and petroleum products.....	5,241		5,241	5,193		48				
Platinum.....	30	7	17		17					
Processing and inspection of metals.....	45		45	45			17	17		17
Publishing services.....	32		32	32						
Rehabilitation (disaster loans).....	18,670		18,670	3,343		15,327				
Research and development of missiles, physics and mechanisms.....	4,675		4,678	2,909		1,609	97			
Rifle.....	74	8	61	15		30			10	10
Sisal.....	262	141	48,659	3,125		45,534				
Steel.....	48,659		48,659	3,125		45,534				
Storage and warehousing.....	1,898		1,898	1,073		815				
Sulfur.....	278	110	26		5	24		5	24	29
Talc.....	33	18	12	12						
Thorium (rare earths).....	208	73	94		58	36		58	36	94
Tin.....	260		360	360						
Tin mining devices.....	535	52	430		31	399		31	399	430
Transportation.....	5,610		5,610	3,930		1,680				
Tungsten.....	5,124	1,187	2,693	3,589	479	1,595	8	479	1,603	2,062
Uranium.....	9,271	2,560	4,742	1,542	1,262	1,938	17	1,262	1,955	3,217
Weapons.....	449		440	1,386		63				
Zinc.....	1,530		1,530	1,530						
Total loans and grants.....	401,252	10,632	367,372	139,996	5,335	222,041	1,284	5,335	15,502	20,837
Interest, administrative and technical service expenses:										
Actual to Mar. 31, 1960.....			11,528		11,528			11,528	2,080	11,528
Estimated to June 30, 1965.....										2,080
Total.....		10,632	378,900	139,996	16,863	222,041	1,284	16,863	17,582	34,445
Export-Import Bank.....	45,347	141	45,206	18,810		26,396				
Interior.....	56,770	10,491	34,556	3,478	16,863	14,315		16,863	17,582	34,445
Treasury.....	299,135		299,038	117,708		181,330	97			

Senator DOUGLAS. On April 27, Mr. Leo A. Hoegh, the Director of the Office of Civil and Defense Mobilization, wrote to the Vice President and the Speaker, requesting an extension of the Defense Production Act, together with certain amendments.

Without objection, a copy of this letter will be made a part of the hearing.

(The letter referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF CIVIL AND DEFENSE MOBILIZATION,
OFFICE OF THE DIRECTOR,
Washington, D.C., April 27, 1960.

HON. RICHARD M. NIXON,
The President of the Senate,
U.S. Senate, Washington, D.C.

DEAR MR. PRESIDENT: There is forwarded herewith a draft of proposed legislation to extend the Defense Production Act of 1950, as amended, and for other purposes. It is proposed that (1) existing authorities be extended for a period of 2 years to June 30, 1962, (2) contracts of sale of materials be exempted from the time limitations of section 303(b), (3) interest on funds borrowed from the Secretary of the Treasury to carry out section 303 provisions be waived, and (4) reports to Congress on transactions entered into under the borrowing authority be on a semiannual basis.

Section 303(a) of the Defense Production Act of 1950 authorized the President to make purchases or commitments to purchase, and sales of, metals, minerals, and other materials. By means of this authority the Government brought about an expansion of the metals and minerals industry to satisfy the defense demands resulting from the Korean war. The main device used by the Government was the type of contract which assured a producer that if he expanded his production and subsequently was unable to sell the increased production, the Government would purchase it for a stated price during a stipulated period.

As a consequence of many factors which could not be foreseen at the time the contracts were entered into, the Government has had to purchase substantial inventories of various metals and minerals in excess of its requirements. Most notable among these factors were the economic recession of a few years ago and a drastic change in mobilization planning. The former caused producers to exercise their rights to "put" production to the Government. The latter stipulated that mobilization planning was to be based on a 3-year emergency rather than the 5-year period which had previously been in use, and this cutback resulted in immediate excesses since in many cases amounts previously acquired were more than the 3-year requirement.

Section 303(b) of the act provides that such purchases or sales can be made during the period ending June 30, 1965. In order for the Government to be able to liquidate the excesses referred to above in an orderly and gradual manner and recover its investment without disturbing the economy, it may be necessary in some instances to enter into long-term sales contracts; i.e., 10 or more years. Accordingly, it is requested that section 303(b) be modified in such manner as to exempt sales of materials from the time limitation of that provision.

The Government's liability under the section 303 expansion programs and the loan program under section 302 are financed by borrowings from the Treasury authorized by section 304(b). Under that section agencies carrying out functions under section 302 or 303 are authorized to issue their notes, debentures, bonds or other obligations to the Secretary of the Treasury. The section stipulates that such instruments shall bear interest at a rate determined by the Secretary.

The loan function under section 302 placed the Government in the position of a banker. The Government agency carrying out this function charged interest on the loans it made and, in turn, paid interest to the Treasury, in accordance with the statute, on money borrowed for this purpose. Such payments were made from funds derived from repayments of loans and from earnings on such loans.

Moneys which were borrowed to carry out section 303 purposes, however, were not loaned out to producers. Rather they were used to purchase materials and equipment and to pay subsidies and other expenses. The latter two represent

expenditures on which no financial recovery or earnings are possible. Funds spent on the former are tied up in inventory and cannot be recovered or show earnings until they are resold. Current Government policy is to sell excess materials only where the sale is at or above market prices and will not disrupt normal market relationships. Under this policy, the possibility of substantial disposals in the foreseeable future is very limited.

As of December 31, 1959, the cash requirements forecast to carry out section 302 and 303 programs through fiscal year 1965 indicate a potential deficit of \$377 million of which \$331 million or 88 percent is for payment of interest to the Treasury. The normal budgetary process would require annual requests for appropriations as follows: \$4 million in 1961, \$79 million in 1962, \$74 million in 1963, \$110 million in 1964, and \$110 million in 1965, or a total of \$377 million. The proposed legislation would have the effect of eliminating the payment of interest to the Treasury on borrowings to carry out the provisions of section 303 and reducing the forecast deficit and future appropriations requests from \$377 million to \$73 million.

Section 304(b) now requires the President to report to Congress each quarter on the gross amount of each transaction entered into under the borrowing authority. Because the number of such transactions is now quite small, the expense of quarterly reporting can no longer be justified and it is proposed that reports be required semiannually.

The authority of the Defense Production Act of 1950, as amended, has been used to bring about expansion of capacity for defense purposes, to control the use of scarce materials, to require priority in the performance of defense contracts, and to accomplish other measures required for mobilization. The authorities continue to be of vital importance to the development of military programs and to the maintenance and improvement of our state of mobilization readiness. It is therefore requested that the act be extended to June 30, 1962.

Sincerely,

LEO A. HOEGH.

AN ACT To extend the Defense Production Act of 1950, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Defense Production Act Amendments of 1960."

Section 2. Section 303(b) of the Defense Production Act of 1950, as amended, is hereby amended by inserting a comma and the words "except for sales," after the phrase "but not extending."

Section 3. Section 304(b) is hereby amended by striking out the word "quarter" in the first sentence of the second proviso and inserting in lieu thereof the words "six months."

Section 4. Section 304(b) is hereby amended by replacing the period at the end of the penultimate sentence with a comma and adding the following: "except that after June 30, 1960, amounts borrowed or which may be borrowed from the Secretary of the Treasury to carry out activities under section 303 shall not bear interest and any outstanding obligation to pay such interest to the Treasury as of such date is hereby canceled."

Section 5. The first sentence of subsection (a) of section 717 is hereby amended by striking out "June 30, 1960" and inserting in lieu thereof "June 30, 1962".

Senator DOUGLAS. Thereafter, S. 3472, which would extend the act for 2 years, was introduced by Senator Robertson. A copy of this bill will be included in the record.

(S. 3472 follows:)

[S. 3472, 86th Cong., 2d sess.]

A BILL To extend the Defense Production Act of 1950, as amended, for an additional two years

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of subsection (a) of section 717 of the Defense Production Act of 1950, as amended (50 U.S.C. app. 2166), is amended by striking out "June 30, 1960" and inserting in lieu thereof "June 30, 1962".

Senator DOUGLAS. Comments were requested, and reports have been received from the following agencies. These reports will also be made part of the record:

- Board of Governors of the Federal Reserve System.
- Department of Defense.
- General Services Administration.
- Bureau of the Budget.
- Department of the Treasury.
- Small Business Administration.
- Department of State.
- Department of Justice.
- Department of Commerce.
- Department of Agriculture.

(The reports referred to follow:)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
Washington, May 16, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request of May 5, 1960, for a report on the bill, S. 3472, which would extend until June 30, 1962, the authority contained in the Defense Production Act of 1950, as amended.

The only provisions of the Defense Production Act of 1950 which relate directly to the responsibilities of the Board are contained in title III, relating to Government-guaranteed loans for defense production under the Board's Regulation V. It is understood that the Office of Civil and Defense Mobilization considers that this authority is useful particularly to the procuring agencies as a means of assisting their contractors in securing working capital and additional equipment needed for the performance of defense contracts. The Board would, therefore, have no objection to an extension of this program for an additional 2 years as provided by the bill.

Sincerely yours,

WM. McC. MARTIN, JR.

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE,
Washington, D.C., May 31, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Department of Defense with respect to S. 3472, 86th Congress, a bill to extend the Defense Production Act of 1950, as amended, for an additional 2 years.

The legislation would extend the Defense Production Act of 1950, as amended, for a period of 2 years to June 30, 1962.

The Department of Defense considers the provisions of the Defense Production Act of continuing importance in carrying out defense production, construction, and research and development programs and therefore recommends the enactment of S. 3472.

The authority contained in title I of the act provides the statutory basis for the assignment of priorities to defense contracts and is considered essential as an aid in the placement of contracts and in assuring a timely flow of materials and components to defense contractors. Of particular importance is the use of priorities to support programs such as those for missiles and military space projects which require the delivery of a wide variety of special materials and components more expeditiously than can be obtained from industry without priorities. Title I also provides the basis for the continuation of the defense materials system under which the Department of Defense and major Department of Defense suppliers have maintained nuclei of trained personnel and the basic elements of a materials control system as a mobilization readiness measure.

Section 301 of title III of the act, which authorizes the military departments to guarantee working capital loans made by financing institutions to defense contractors and subcontractors, is also important to the Department of Defense,

particularly in view of the continuing emphasis being given for participation of outside capital in the defense production program.

While section 303 of title III does not fall within the direct responsibility of the Department of Defense, it would appear desirable that this authority be extended inasmuch as it permits certain actions to be taken by the Government in encouraging the development, expansion, and maintenance of adequate supplies of metals, minerals, and other materials which are of importance to national defense programs.

Title VII of the act is necessary in that it contains provisions for the effective administration of title I and title III. Also of particular interest to the Department of Defense are the provisions of section 708 which provides exemptions from the antitrust laws to members of industry participating in voluntary agreements in connection with matters of defense production.

Enactment of this legislation will cause no apparent increase in the budgetary requirements of the Department of Defense.

The Bureau of the Budget has advised that there is no objection to the submission of this report and that the enactment of S. 3472 would be in accord with the program of the President.

Sincerely yours,

J. VINCENT BURKE, Jr.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., May 31, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Your letter of May 13 requested a report on S. 3472, a bill to extend the Defense Production Act of 1950, as amended, for an additional 2 years.

The bill would extend the Defense Production Act of 1950, as amended, through June 30, 1962.

By letter of April 27, 1960, to the President of the Senate, the Director of the Office of Civil and Defense Mobilization outlined the reasons underlying the request for such extension. General Services Administration concurs with the views expressed in that letter. We believe that the proposed continuance of the Defense Production Act authority is desirable not only with respect to mobilization readiness but also in connection with the administration of existing commitments and programs, the management of the inventories of materials which have been accumulated, and the disposal of excess materials.

We therefore recommend enactment of the bill, although we would have preferred to have the bill include the additional amendments which were discussed in the letter referred to above and set forth in the draft bill accompanying that letter.

The Bureau of the Budget has advised that it has no objection to the submission of this report.

Sincerely yours,

FRANKLIN FLOETE, Administrator.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 31, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: This is in reply to your request of May 13, 1960, for the views of this office with respect to S. 3472, to extend the Defense Production Act of 1950, as amended, for an additional 2 years.

The Defense Production Act contains authorities which are of continuing importance to our defense programs. The Office of Civil and Defense Mobilization and other agencies which make use of the authorities contained in the act will present specific justification for extension of the act.

This office recommends that the bill be enacted.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

OFFICE OF THE SECRETARY OF THE TREASURY,
June 1, 1960.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 3472, to extend the Defense Production Act of 1950, as amended, for an additional 2 years.

The proposed legislation would extend the Defense Production Act of 1950, as amended, for an additional 2 years, from June 30, 1960, to June 30, 1962.

The Department would have no objection to the enactment of the proposed legislation.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

LAURENCE B. ROBBINS,
Acting Secretary of the Treasury.

SMALL BUSINESS ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., June 1, 1960.

Re S. 3472, to extend the Defense Production Act of 1950, as amended, for an additional 2 years.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: Reference is made to your request of May 5, 1960, for my views with respect to the captioned bill.

The bill would extend for 2 years the Defense Production Act of 1950, as amended. Section 717 of the act at present provides that the act shall terminate on June 30, 1960.

The Small Business Administration has no objection to a 2-year extension of the Defense Production Act.

The Bureau of the Budget has no objection to the submission of this report.

Sincerely yours,

PHILIP MCCALLUM, *Administrator.*

DEPARTMENT OF STATE,
June 1, 1960.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency, U.S. Senate.

DEAR SENATOR ROBERTSON: This is in further response to your request of May 5, 1960, for a report on S. 3472, a bill to extend the Defense Production Act of 1950, as amended, for an additional 2 years. The bill would extend the act by changing the date from June 30, 1960, to June 30, 1962, in the appropriate subsection of the act.

The Department of State would have no objection to extending the act in this way. We believe, however, that one additional change in the present act is now desirable. Section 303(b) permits purchases and sales of appropriate materials for such periods as the President deems necessary but not extending beyond June 30, 1965. In disposing of materials no longer needed in DPA inventories, every effort is made by all agencies concerned to avoid serious disruption of the usual markets of producers, processors, or consumers, both domestic and foreign. To accomplish this, it is quite conceivable that, in some cases, because of market or other conditions, a period of 5 years or more should be available for the sale. We believe, therefore, that sales under section 303(b) should be excepted from the limiting date of June 30, 1965. If a limiting date for sales is thought to be desirable, it should not, in our opinion, be earlier than June 30, 1970.

Your courtesy in having afforded an opportunity to comment on this legislation is appreciated.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

WILLIAM B. MACOMBER, Jr.,
Assistant Secretary
(For the Secretary of State).

U.S. DEPARTMENT OF JUSTICE,
June 1, 1960.

HON. A. WILLIS ROBERTSON,
Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR SENATOR: This is in response to your request for the views of the Department of Justice concerning the bill (S. 3472) to extend the Defense Production Act of 1950, as amended, for an additional 2 years.

The bill would simply change to June 30, 1962, the present June 30, 1960, date for termination of most of the powers conferred by the Defense Production Act.

This Department would have no objection to enactment of the extension, except as it would continue unchanged certain of the survey and report obligations imposed on the Attorney General under section 708(e) of the act. That section directs the Attorney General to make surveys of possible anticompetitive tendencies in Defense Production Act programs, including specifically voluntary agreements which are continued in force under the act subject to his approval. A report as to such surveys must be made each 3 months to the Congress and the President.

Since the 1955 amendment which provided for the surveys and reports, 20 quarterly reports have been submitted dealing with nearly every active Defense Production Act program having possible anticompetitive effects. During the same period, achievement of the goals set for expansion of the mobilization base has terminated or substantially reduced almost all the Defense Production Act programs. The unqualified statutory requirement that quarterly reports be submitted still applies notwithstanding this substantial cessation of such programs and the fact that most, if not all, of relevant activity has been already the subject of report. Under these circumstances, it is of doubtful usefulness to continue to require reports, except insofar as they deal with voluntary agreements. It is recognized that a useful purpose might be served in continuing the quarterly reports as they relate to such agreements.

The Department of Justice has found that requiring the survey of matters generally affecting competition in programs of other agencies diverts personnel needed for the basic task of antitrust enforcement. Reports as to such matters, particularly involving industries or companies facing antitrust action, may well involve serious risk of prejudicing either the Government's or defendant's interests in pending or future enforcement litigation. Such risks are, of course, increased by the frequency with which such reports are required.

It is therefore urged that the bill be amended by the addition of a second section, as follows:

SEC. 2. The second and third sentences of subsection (e) of section 708 of such Act are amended to read as follows:

"Such surveys shall include studies of the voluntary agreements and programs authorized by this section. The Attorney General shall submit to the Congress and the President at least once every three months reports setting forth the results of such studies of voluntary agreements and programs authorized by this section."

The Bureau of the Budget has advised that there is no objection to the submission of this report.

Sincerely yours,

JOHN D. CALHOUN,
Acting Deputy Attorney General.

THE SECRETARY OF COMMERCE,
Washington, D.C., June 2, 1960.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in reply to your request dated May 5, 1960, for the views of this Department with respect to S. 3472, a bill to extend the Defense Production Act of 1950, as amended, for an additional 2 years.

This Department, which bears a major responsibility in the administration of the powers and authorities currently provided in the Defense Production Act of 1950, as amended, strongly endorses the proposal to extend these powers and authorities. We feel that they perform a vital and necessary role in assuring the timely fulfillment of this country's essential military programs and requirements, thus contributing significantly to our state of mobilization readiness.

The Department's duties under the Defense Production Act are performed presently through the Business and Defense Services Administration (BDSA), the Maritime Administration, and the Defense Air Transportation Administration (DATA).

In the operating phases of the administration of the act there has been kept active a materials control system founded upon the current Defense Production Act powers. This system, known as the defense materials system (DMS), while presently limited in its operations to assuring delivery of materials needed to fulfill military and atomic energy production, construction, and transportation programs, is nevertheless especially designed to enable rapid mobilization in case of war. Insofar as it serves to avoid and reduce costly delays in military procurement, it represents a saving in dollars. In addition, by eliminating the estimated administrative leadtime of 18 months for reimposition of a full materials control system in the event that should become necessary, it also represents an important saving of precious time.

We urge prompt and favorable action by your committee on S. 3472.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this report to your committee.

Sincerely yours,

PHILIP A. RAY,
Under Secretary of Commerce.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., June 3, 1960.

Hon. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate.*

DEAR SENATOR ROBERTSON: This is in reply to your letter of May 5, 1960, in regard to S. 3472 which would extend the Defense Production Act of 1950 as amended from June 30, 1960, to June 30, 1962.

The Department of Agriculture is in favor of this proposed legislation. Delegations under this legislation provide the Department with authority necessary in areas not covered by regular programs.

The existing Defense Production Act contains operating and planning authority in such areas as priorities and allocations for materials and facilities and provision for financial assistance for expansion of productive capacity and supply. Certain powers under the act have been delegated to the Secretary of Agriculture through Executive Order 10480 and Defense Mobilization Order I-7. Operating phases which the Secretary can carry out with approval of the Office of Civil and Defense Mobilization relate, for example, to priorities and allocations for food and the domestic distribution of farm equipment and commercial fertilizer, and the expansion of capacity to produce food and certain related items.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

TRUE D. MORSE, *Acting Secretary.*

Senator DOUGLAS. The committee will now hear from Governor Hoegh, the Director of the Office of Civil and Defense Mobilization, who is the official directly responsible, under the President, for the administration of all programs under the Defense Production Act. Governor.

**STATEMENT OF LEO A. HOEGH, DIRECTOR; ACCOMPANIED BY
CHARLES H. KENDALL, GENERAL COUNSEL; RUSSELL H. HUGHES,
DEPUTY ASSISTANT DIRECTOR, PRODUCTION AND MATERIALS;
AND WILBERT G. FRITZ, DIRECTOR, STOCKPILE PROGRAM
COORDINATION OFFICE, OFFICE OF CIVIL AND DEFENSE
MOBILIZATION**

Mr. HOEGH. Mr. Chairman, members of the committee, I am pleased to have this opportunity to appear before the committee in support of S. 3472 which would extend the Defense Production Act.

This act provides authority to assist in the expansion of capacity to produce defense items, to control the use of scarce materials and to take other action to develop and to support our military strength. We believe that the act continues to be necessary to the maintenance of a strong and flexible defense program, and we recommend that it be extended for 2 years.

I propose to discuss briefly the part played by the authorities now existing in titles I, III, and VII of the Defense Production Act both in the conduct of current defense activities and in the improvement of our state of readiness for an emergency production program should that become necessary.

The priorities and allocations authorities of title I of the act are the keystone of emergency production controls. By their use the Government can make certain that "first things come first." At the present time production contracts which are let by the Department of Defense and the Atomic Energy Commission carry with them the requirement that the manufacturers give such preference to their performance as is necessary to meet delivery schedules. This requirement for preference extends also to the delivery of components and supplies for the use of the contractor. Such preferential treatment guarantees prompt handling of defense orders.

The defense materials system, operated by the Department of Commerce under a delegation of title I authority, involves the determination of requirements, the application of priorities, and the submission of reports. It requires producers of basic forms and shapes of steel, copper, aluminum, and nickel alloys to reserve certain percentages of their production for the filling of identified defense orders. This, incidentally, accomplishes a distribution of defense orders among the various producers of these basic items, assuring to each producer of such materials a large share of his production for supplying his customers in the civilian market.

Quite properly, the use of priorities and allocations is presently limited to assuring adequate handling of direct defense orders. The law does not authorize control of the distribution of goods in the civilian elements of the economy, unless heavy military demand should result in significant dislocations in the civilian market to such a degree as to create appreciable hardship.

In addition to usefulness in the conduct of current procurement programs the defense materials system provides us with a readiness measure of great importance. It is a mechanism in-being which could be quickly expanded in time of mobilization to control all use of critical materials throughout the economy. Based on the Korean experience, it would take at least 3 months to put a similar system in operation starting from scratch.

Title III of the act provides various powers designed to assure productive capacity and supply both for current programs and for the development of a mobilization base adequate to an emergency. The loan guarantee provisions are useful to the procuring agencies as a means of assisting their contractors, particularly smaller contractors, to secure working capital and additional equipment needed for the performance of defense contracts. The other authorities in title III for direct loans, procurement for Government use or resale, and so forth, have been used sparingly in recent years but have substantial importance as tools to meet new production requirements which may result from changing technology and military strategy. Accelerated research and development of new weapons may in the future require greater production of key materials and the development of new processes requiring such forms of financial assistance as are available under title III.

Although no new procurement contracts under section 303 have been entered into for some time, that authority has, among other things, brought about an expansion of the metals and minerals industry to satisfy the requirements of full mobilization. When the contracts were entered into, there were two large defense requirements which had to be met: those arising from the Korean emergency, and unfilled stockpile objectives needed to meet full mobilization. At that time stockpile objectives were computed on the basis of providing for a 5-year war.

In the recent past, due primarily to changes in weapons systems, the 5-year mobilization planning period has been reduced to 3 years. This cutback automatically resulted in the Government being over-committed for the acquisition of strategic and critical materials, and in surpluses which generally would not have been generated under the 5-year emergency planning.

The primary device for bringing about desired expansions of capacity consisted of a type of contract which assured a producer that any increased production during a stated period that he was unable to market would be purchased by the Government. Procurement of durable materials was preferred to the construction of Government plants on which large losses might be incurred.

As a consequence of the cutback in the planning period and the economic recession of a few years ago—

Senator DOUGLAS. Governor, you speak of an economic recession. Which economic recession do you refer to, if any?

Mr. HOEGH. Well, there was a softness in the market in 1957 and 1958, that is in the minerals market.

Senator DOUGLAS. It is that period you refer to as a recession?

Mr. HOEGH. I refer to it more—the language says “recession.”

Senator DOUGLAS. Yes. That is the language I used at the time.

Mr. HOEGH. It was a rather soft—

Senator DOUGLAS. I was very severely attacked by the members of your party.

Mr. HOEGH. Yes.

Senator DOUGLAS. I am glad to see that a couple of years after the event occurred the truth can be told. It seems to me highly desirable the truth be told at the time of the occurrence.

Governor, I come from the Midwest too, and we recognize you as a frank, aboveboard man, so I know that you agree with my feelings in this matter.

Mr. HOEGH. Well, Mr. Chairman, you and I might disagree a little bit, but——

Senator DOUGLAS. I am pleased to know you now say there was a recession in 1957 and 1958.

Mr. HOEGH. And for that reason more materials of course, were "put" to the Government.

As of March 31, 1960 there were approximately \$900 million worth in the Defense Production Act inventory. Because of the ample production of most metals during the last few years, the Government has had no reasonable alternative but to hold on to these inventories. Current policy calls for disposing of excess inventories, but only when it can be done in an orderly manner. Timing and size of the disposals must depend on the capacity of the market to absorb the materials.

It should be pointed out also that we are engaged in a broad study to determine the materials requirements which would follow a nuclear attack on the United States. In order to avoid the possibility of having to buy back materials after such requirements are computed, it has been determined that, meanwhile, inventories will not be reduced below levels which would meet the normal requirements of industry for a 6 months' period.

Besides being a necessary measure of preparedness in the light of world conditions, the continuation of title III authority provides a tool for overcoming defense deficits as they develop, and the flexibility required in the management of the inventories which have already been acquired.

Title VII of the act contains various general provisions and authorities in support of those in the other two titles. Of great importance among these is the voluntary agreement authority. This makes possible the use of the joint experience of defense contractors in improving and speeding the output of weapons, through integration committees in which technical advances and know-how can be shared, without danger of violating the antitrust laws.

A number of existing integration committees of the Department of the Army depend upon this authority, and the development of new weapons will no doubt give rise to a need for others.

Of importance, too, is the authority provided by title VII to train a reserve of officials capable of doing the many executive jobs in Government that must be done in time of mobilization. Executive reserve programs have been undertaken by 16 Government departments and agencies. Over 2,000 reservists are presently being trained, and more will undoubtedly be added as the field programs are developed in the States.

The three titles referred to make up the Defense Production Act as most recently extended in 1958 to June 30, 1960. It is submitted that the continuing defense program requires the extension of the act for an additional period of 2 years.

Senator DOUGLAS. Governor, in your original letter of April 27, in which you requested an extension of the Defense Production Act, you also requested three amendments to the law.

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. Those are not contained in the bill introduced by Senator Robertson, and I notice that in your statement of this morning you do not ask for them. Does this mean that you have given up on your request for these amendments?

Mr. HOEGH. No, sir; it does not, Mr. Chairman. But, rather than take a chance of losing this extension, we have deferred pressing for the amendments.

Senator DOUGLAS. You might not lose the extension by asking for the amendments, if they are reasonable.

Mr. HOEGH. We feel that the amendments are reasonable, Mr. Chairman, and we, of course, would be very happy to go along with you and with the members of this committee. If they feel that there is time for the amendments, we would be most delighted to have them.

Senator DOUGLAS. As I understand, the first amendment would have given you the power to enter into long-term contracts, which would go past June 30, 1965, to sell commodities which are in the Defense Production Act stockpile.

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. I take it you do not think you have this authority under present law?

Mr. HOEGH. We do not, because section 303(b) states that in buying or in selling we have a cutoff date of June 30, 1965, and it would be helpful, of course, in negotiating with people for the sale of some of these materials that the period of selling or the period of absorbing this material, could be over a period of perhaps 10 years rather than just 5.

Senator DOUGLAS. Governor, Senator Byrd of Virginia put into the Congressional Record on, I believe, May 11, a statistical record of stocks in the hands of the Commodity Credit Corporation, the General Services Administration, the Federal Facilities Corporation, in the tin inventory, and so forth. (See p. 32.)

Mr. HOEGH. Yes.

Senator DOUGLAS. Have you had a chance to go over that table?

Mr. HOEGH. I am sure that my staff has, and I think that the information that he has there is taken from the General Services Administration report dated March 31.

Senator DOUGLAS. That shows a national stockpile, under the terms of the Strategic and Critical Materials Stock Piling Act, Public Law 520, 79th Congress, totalling in terms of cost \$6,188,123,000 on March 31. The details of that, as I understand it, are classified.

Mr. HOEGH. That is right.

Senator DOUGLAS. They are not known to the public or, indeed, to many of the Members of the Senate generally, except the Joint Committee on Defense Production and the Armed Services Committee.

Do you have jurisdiction over that stockpile?

Mr. HOEGH. Insofar as policymaking goes. We, of course, confer with other departments in determining the need for it based on national security requirements, then we do have that policymaking—

Senator DOUGLAS. And General Services is in charge of storage of Defense—

Mr. HOEGH. General Services actually stores it and maintains it.

Senator DOUGLAS. And you have jurisdiction over the materials in the Defense Production Act inventory?

Mr. HOEGH. That is true with both of them, sir. Same arrangement.

Senator DOUGLAS. According to this report of Senator Byrd's, the Defense Production Act inventory had a cost value as of March 31, 1960, of \$1,444 million. Is that correct?

Would you like to have your assistant come forward?

Mr. HOEGH. No; that is correct, sir. Acquisition cost was \$1,444 million for the Defense Production Act inventories, and the cost of the national stockpile was \$6,188 million.

Senator DOUGLAS. Some of these figures seem to be very large.

Aluminum, \$367,874,000. Is that correct?

Mr. HOEGH. That is correct; yes, sir.

Senator DOUGLAS. Chromite, metallurgical grade, \$29,632,000.

Mr. HOEGH. I do not have that one before me. I have just the larger items.

Senator DOUGLAS. Would some member of your staff come up and sit by you?

Mr. HOEGH. I think it is based upon our March 31 report.

Senator DOUGLAS. If Senator Byrd got this from you, you must have it somewhere in your files.

Mr. HOEGH. You are now speaking with reference to——

Senator DOUGLAS. Chromite.

Mr. HOEGH. To chromite?

Senator DOUGLAS. Yes; \$29,632,000.

Suppose I read these figures in order to save time, and then if you are uncertain of any of them, you could check them later.

Mr. HOEGH. All right.

Senator DOUGLAS. Cobalt, \$49,049,000.

Suppose in order to save your time, Governor, I simply read these, and then you let me know later whether you agree.

Mr. HOEGH. All right. I do have the March 31 report before me but it is difficult to follow.

Senator DOUGLAS. Columbite, \$50,463,000.

Copper, \$75,608,000.

Fluorspar, acid grade, \$1,394,000.

By the way, do you think you have enough fluorspar in stock?

Mr. HOEGH. What, sir?

Senator DOUGLAS. Have you enough fluorspar in stock?

Mr. HOEGH. Yes, sir; we have too much.

Senator DOUGLAS. Lead, \$3,036,000.

Then two big manganese items. Manganese, battery grade, \$2,524,000, and manganese, metallurgical grade, \$171 million. I will read them simply to the nearest million.

Then over on the next page of the Congressional Record there is a supplemental stockpile, which shows three manganese items:

Battery grade, \$3 million.

Chemical grade, \$1,300,000.

Metallurgical grade, \$100 million.

That indicates a total stock of manganese of almost \$300 million at cost figures. And this, of course, is in addition to whatever amounts may be in the national stockpile.

Mr. HOEGH. That is right, sir.

The supplemental stockpile that we have is accumulated primarily through Public Law 480, the commodity credit barter provisions of that law. Bartered materials come in initially in the CCC stockpile, and then are transferred to the supplemental stockpile.

Senator DOUGLAS. Very interesting. I think I was one of the first, if not the first, to propose the use of barter, using agricultural com-

modities to be exchanged for rare metals. One loses sight of these things. I never realized that this had come to such fruition.

Mr. HOEGH. You might be interested, Senator, in knowing that as of March 31, 1960, in the CCC barter stockpile there was a hundred and——

Senator DOUGLAS. This is the so-called supplemental stockpile?

Mr. HOEGH. No, that is before it goes into the supplemental. The CCC barter stockpile totaled \$145 million at acquisition cost and the cost of all materials in the supplemental stockpile, which the CCC ultimately becomes, was \$694 million.

Senator DOUGLAS. But I am speaking of manganese at the moment.

Mr. HOEGH. No, no. These are all metals and minerals in these two respective stockpiles that I just cited.

Senator DOUGLAS. Let's keep on with some of these other metals.

Nickel, \$124 million under the Defense Production Act.

I assume that we may find nickel in the national stockpile too.

Mr. HOEGH. That is right.

Senator DOUGLAS. Titanium, \$168 million, to the nearest million.

Tungsten, \$325 million.

Mr. HOEGH. Yes.

Senator DOUGLAS. A total, as I said, of Defense Production Act commodities purchased, \$1,444 million.

And then the supplemental stockpile of \$694 million as of the end of March.

That has some big items. For instance, chromite, \$162 million in the supplemental according to my figures. Chromite, metallurgical grade, \$162 million.

Do my eyes deceive me that there are \$92 million of diamonds?

Mr. HOEGH. That is probably right, Mr. Chairman. I want to reserve the right to check the figures you are reading with our own records.

Yes, \$91,823,000. These came primarily through barter.

Senator DOUGLAS. I recognize they are for industrial use as well as for purposes of adornment, but is this designed to increase the national defense by enabling the ladies of the country to adorn themselves in periods of great national stringency?

Mr. HOEGH. No, sir. These are all industrial diamonds, and most of these were obtained through Public Law 480, 83d Congress, the Commodity Credit barter program.

Senator DOUGLAS. What is the difference between an industrial diamond and a diamond for adornment and display?

Mr. HOEGH. The appearance, color, and size. And they are rough-cut. They are not polished like——

Senator DOUGLAS. You mean a diamond in the rough, an industrial diamond, can be cut down and polished into a diamond for display?

Mr. HOEGH. No, sir, because they are normally discolored, the industrial diamonds. But they are used in industrial production for drills and for cutting purposes.

Senator DOUGLAS. Do you think you are overstocked on diamonds?

Mr. HOEGH. What, sir?

Senator DOUGLAS. Do you think you are overstocked on diamonds?

Mr. HOEGH. Yes, sir. We are trying to dispose of some of them. These are coming through, Mr. Chairman—may I add this?——

Senator DOUGLAS. Oh, surely.

Mr. HOEGH. These are coming primarily through the Commodity Credit barter law, Public Law 480. And, of course, it is——

Senator DOUGLAS. Diamonds come almost exclusively from South Africa, do they not?

Mr. HOEGH. Some from Brazil.

Senator DOUGLAS. But almost exclusively from South Africa?

Mr. HOEGH. Mostly from South Africa.

Senator DOUGLAS. We have been selling agricultural commodities, or exchanging agricultural commodities with South Africa?

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. All right.

I notice another metal that has been much discussed—zinc—\$75 million worth of zinc in the supplemental stockpile. What do you propose to do with that?

Mr. HOEGH. Well, we have a great abundance of zinc. As a matter of fact, we have much more than we actually need for security purposes. However, we have been acquiring zinc through Public Law 480 under this Commodity Credit barter.

Senator DOUGLAS. Are these all derived from Commodity Credit?

Mr. HOEGH. Most of these supplementals; yes.

Senator DOUGLAS. Supplemental stockpile? Is that derived from Public Law 480?

Mr. HOEGH. All of it except a small amount from Public Law 733, 84th Congress, sir.

Senator DOUGLAS. Is this a polite means of keeping on good terms with the countries which have been exporting zinc to us?

You are acquainted, Governor, with the big dispute on this issue where producing and refining areas in this country have been demanding a tariff and rigid quotas on zinc and tin.

Is this a means of exchanging agricultural commodities for zinc with these foreign countries so that they can dispose of their zinc to the Government though not to private producers?

Mr. HOEGH. No, I would say that the primary reason there is the motivating fact that agricultural products, of course, do not have as good storage life as industrial products, and under Public Law 480 as enacted by the Congress, of course, the exchange is made for different kinds of minerals, and——

Senator DOUGLAS. What countries are we getting this zinc from, Governor?

Mr. HOEGH. Mexico is one of them. And several European countries.

Senator DOUGLAS. Is it not primarily Mexico plus I think Peru? Is it Peru?

Mr. HOEGH. Peru is one; yes.

Senator DOUGLAS. Those are the chief countries, are they not?

Mr. HOEGH. What, sir?

Senator DOUGLAS. Those are the chief countries?

Mr. HOEGH. Yes, Peru and Mexico would be the chief ones.

Senator DOUGLAS. These countries and Canada have objected to the tariff and quota proposals in this country and have said that this was shutting them off from a market. Does this mean, in effect—I do not want to use a question-begging verb—that you are placating them by taking what they would ordinarily export to this country?

Mr. HOEGH. No, sir.

Senator DOUGLAS. Why not?

Mr. HOEGH. Because the motivating force here is the Commodity Credit barter program. In other words, agricultural products are demanded. They need them. Of course, under the law enacted by the Congress, we then take in exchange certain materials, strategic materials.

Senator DOUGLAS. But, you see, the zinc producers in this country say there is a surplus of zinc rather than a deficit of zinc.

Mr. HOEGH. That is right.

Senator DOUGLAS. Yet you are getting zinc and stockpiling it; a material of which there is already a surplus.

Mr. HOEGH. Yes, sir. And that is one reason, Mr. Senator, why we would not dispose of zinc, because we would not in any way disrupt the market. We do not want to hurt any industry in this country.

Therefore, the zinc that we get goes into this supplemental stockpile, and it stays there. We will not dispose of it as long as it would in any way disrupt the market.

Senator DOUGLAS. Does it have perpetual life?

Mr. HOEGH. Yes.

Senator DOUGLAS. Does zinc deteriorate in storage?

Mr. HOEGH. It has perpetual life and does not deteriorate appreciably.

Senator DOUGLAS. All these materials in strategic and critical materials inventories come to an \$8,400 million cost figure.

Mr. HOEGH. Yes, that is right.

Senator DOUGLAS. And the inventory of Commodity Credit Corporation comes to something over \$7 billion.

You speak of a "cost figure." How do you estimate cost?

Mr. HOEGH. This is what we actually have had to pay for these materials.

Senator DOUGLAS. That is, cash in the case of—

Mr. HOEGH. Either cash or through barter, yes.

Senator DOUGLAS. How did you figure cost under the barter provision?

Mr. HOEGH. We defer there to the Department of Agriculture. It is the price—

Senator DOUGLAS. Is it the cost of acquisition of the farm commodities; the wheat and the cotton primarily?

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. At market prices?

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. What you are saying is that you are in oversupply on many of these items?

Mr. HOEGH. That is right, sir.

Senator DOUGLAS. And you would like to have the right to sell?

Mr. HOEGH. No, sir. We have not asked that from you. We have that right, Mr. Chairman.

Senator DOUGLAS. Oh. You would like to have the right to sell under contracts providing for delivery after June 30, 1965?

Mr. HOEGH. The amendment would enable us to make negotiations, perfect negotiations, whereby, if it would not disrupt the market for us to dispose of a certain material or materials, we could dispose of

it over a period of years, more than the 5-year period which is now restricted by the law.

Senator DOUGLAS. Do you really need a longer period than 5 years?

Mr. HOEGH. Yes. We feel that 10 years is more appropriate.

Senator DOUGLAS. You have no power to sell anything in the national stockpile?

Mr. HOEGH. No, sir. Not without the approval of the Congress, except in the case of obsolescence.

Senator DOUGLAS. Is this proposed amendment to take care of a hypothetical need for a 10-year period, or have you actually had instances where your inability to negotiate long-term programs has prevented your disposing of—

Mr. HOEGH. Not as yet, sir. We have not—

Senator DOUGLAS. This is purely hypothetical?

Mr. HOEGH. This is projected; yes, sir.

For that reason, it probably could wait until the next session of Congress. However, we ultimately feel that it must and it should be passed.

Senator DOUGLAS. What has happened in the case of aluminum?

You have quite a lot of aluminum in stock.

Mr. HOEGH. Yes.

Senator DOUGLAS. You have \$368 million worth in the defense production stockpile and \$13 million in the supplemental stockpile, or a total of about \$381 million. And, not knowing, it is quite possible that you may have quantities of this also contained in the national stockpile.

Mr. HOEGH. Yes, there is a lot there.

Senator DOUGLAS. Early in the Korean period aluminum was in very short supply for the domestic market and users. We had all kinds of demands by small firms that wanted to have aluminum for fabricating purposes. The Office of Defense Mobilization and the Defense Department said, "No, you cannot have it."

So now it turns out you overstocked. I do not say you, but it turns out that the Government overstocked, Governor. What do you plan to do with this surplus aluminum now?

Mr. HOEGH. We, of course, at this time know that the market is quite saturated, and for that reason we have no plans to dispose of aluminum at this time. However, the industry has expressed some interest in working out some arrangement whereby this could be disposed of to the industry over a long period of time. Negotiations—

Senator DOUGLAS. Is that one of the reasons why you want a 10-year contract?

Mr. HOEGH. Yes. I could not say at this time that it is at such state that it is a requirement now, but it could be at such a state next January or February 1961.

The negotiations have not been that far reaching as to—

Senator DOUGLAS. You have a lot of nickel in stock, too.

Mr. HOEGH. Yes.

Senator DOUGLAS. Have the automobile companies given up their penchant for nickel?

Mr. HOEGH. No; there is still a demand for nickel.

Senator DOUGLAS. What?

Mr. HOEGH. We do have an excess of nickel. And we have put some on the market.

Senator DOUGLAS. Suppose this plant in Cuba that we have is closed down. May we not be in trouble on that?

Mr. HOEGH. Well, if they should confiscate that plant, of course, then our national stockpile and our other stockpiles of nickel would be most helpful, and——

Senator DOUGLAS. It might be well not to let go of that too quickly.

Mr. HOEGH. We are not. We are not letting go very quickly.

Senator DOUGLAS. What about titanium?

Mr. HOEGH. We have an excess of it, again, and it is a very poor market, and we have no plans——

Senator DOUGLAS. You have \$168 million in the Defense Production Act stockpile, \$21 million in the supplemental, or a total of \$189 million. Is this what the Dow Chemical Co. produces? Do they produce titanium?

Mr. HOEGH. Among others; yes. Union Carbide is one of them; Du Pont is another. We do not at this time have any plans to dispose of any of this titanium because the market is so weak.

Senator DOUGLAS. One of the things that strikes me, Mr. Hoegh, is that as we come to metal after metal you do not have plans to dispose of these items. Then why do you want the 10-year authority?

Mr. HOEGH. The reason is that industry sometimes expresses an interest in absorbing some of this excess, and when we do talk to them, they do not think of it in the period of 3 or 4 years or 1 year, but they think more in the terms of 10 years. We feel ultimately that this amendment is going to be most essential.

Senator DOUGLAS. When you do dispose of these, you are required by law to give due notice and have competitive bidding?

Mr. HOEGH. The law doesn't require it.

Senator DOUGLAS. Have you disposed of any of these items in the past?

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. Are you satisfied that there has been competitive bidding?

Mr. HOEGH. Yes, sir; whenever that is necessary to determine the market price. We are required by law to get the market price.

Senator DOUGLAS. Have you ever had identical bids?

Mr. HOEGH. Identical bids?

Senator DOUGLAS. Identical bids, yes.

Mr. HOEGH. I do not know of any, sir. You understand GSA does the selling for us.

Senator DOUGLAS. Oh. You do not do the selling?

Mr. HOEGH. No, except that we do approve the general plan of disposing.

Senator DOUGLAS. But you do not pass on the specific persons, as to whether or not individual bids are to be accepted?

Mr. HOEGH. No, that is GSA.

Senator DOUGLAS. Is a representative of the General Services Administration here?

Mr. HOEGH. No, I do not think so.

Senator DOUGLAS. I would ask Mr. Hale if he would address a letter for the subcommittee to General Services Administration asking if they will submit information as to whether or not there have been

identical bids submitted in the sale of materials under the Defense Production Act, or from the national stockpile in those cases where materials have been sold from that source.

(The letters referred to follow:)

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
June 8, 1960.

Hon. FRANKLIN FLOETE,
*Administrator, General Services Administration,
General Services Building, Washington, D.C.*

DEAR MR. FLOETE: The Production and Stabilization Subcommittee, of which Senator Douglas is chairman, held a hearing yesterday on S. 3472, a bill to extend the Defense Production Act for an additional 2 years. In the course of the hearings, Senator Douglas asked Governor Hoegh whether, in selling materials from the stockpiles, there had been competitive bidding and whether identical bids had been submitted. Governor Hoegh replied that the individual sales were made by the General Services Administration. Senator Douglas thereupon directed me to ask you whether or not there have been identical bids submitted in the sale of materials under the Defense Production Act, or from the national stockpile in those cases where materials have been sold from that source.

Sincerely yours,

MATTHEW HALE, *Chief Counsel.*

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., June 9, 1960.

Hon. PAUL H. DOUGLAS,
*Chairman, Production and Stabilization Subcommittee, Committee on Banking and
Currency, U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: By letter of June 8, 1960, Mr. Matthew Hale, chief counsel of the Committee on Banking and Currency, requested that we advise whether or not there had been identical bids submitted in connection with the sale of materials from the Defense Production Act inventory or from the national stockpile.

Our reply is based upon a review of such sales as have been made by competitive bidding over the past 2 years. Except for the cases described below, our review has not disclosed any competitive bid sales in connection with which identical bids have been submitted.

Bids covering seven items of coconut oil were received on March 29, 1960. Of the four bids received on one of the items, the two highest were at the same price. The price of this commodity is subject to rapid fluctuation and bids are received by telegram, held until the prescribed deadline for submission, and then then publicly disclosed. None of the bids for the item in question was accepted, since all were considered to be below the market price for the material.

Sealed bids were opened on December 1, 1959, pursuant to an invitation to bid covering 23 items of raw silk. On one item six bids were received, and of these the two highest were at the same price. On June 1, 1960, sealed bids were opened covering 10 items of shellac. On one item five bids were received, of which the two highest were at the same price. In each case the price was acceptable, and award was made by the recognized procedure of drawing lots.

There was no indication, in our opinion, of any lack of free competition in these instances.

Sincerely yours,

FRANKLIN FLOETE, *Administrator.*

Senator DOUGLAS. There is a big supply of tungsten, \$325 million worth, in the Defense Production Act stockpile, and another \$16 million in the supplemental stockpile. This is another mineral about which battles have been waged in Congress.

Mr. HOEGH. Yes. Sir, we used to use—

Senator DOUGLAS. Were purchases largely made under congressional pressure?

Mr. HOEGH. What was that question?

Senator DOUGLAS. Were these purchases largely made under congressional pressure?

Mr. HOEGH. No, I do not think so.

Senator DOUGLAS. You do not think so?

Mr. HOEGH. I think that the governing policy here has been the security of this country. Initially tungsten used to be a most vital metal for armor-piercing weapons, and, as you know, that day is gradually moving out. For that reason the same demand and criticality are not in existence today as back in the Korean war.

You see, most of these contracts, Senator, were entered into during the Korean war when it was evident that we were short many of these critical and strategic materials. Of course, we are bound by those contracts.

Senator DOUGLAS. I remember the effort of the mineral-producing States to have a large tungsten purchase program put into effect. I happen to have been one who opposed it. I am surprised that you say that there was no congressional pressure exerted to have you buy.

Mr. HOEGH. Maybe it was before my day, Senator. I do not take political pressure. I try to generate our policies based on the national security interests of the country.

Senator DOUGLAS. I congratulate you on your virtue, Governor.

I am not certain whether my memory serves me or not. I am not certain whether a direct congressional mandate on this subject was passed or not.

Mr. HOEGH. Public Law 733, 84th Congress, was enacted in 1956.

Senator DOUGLAS. To require purchase of tungsten?

Mr. HOEGH. Yes. They only got money 1 year, however.

Senator DOUGLAS. Pardon me?

Mr. HOEGH. The money for only 1 year was appropriated in support of Public Law 733.

Senator DOUGLAS. How much was appropriated in that year?

Mr. HOEGH. I do not recall, sir.

Senator DOUGLAS. But that has lapsed?

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. Suppose a new drive should start for additional purchases of tungsten. Would you be in favor of it?

Mr. HOEGH. No, sir. I would not. Because we have ample supplies. As a matter of fact, we have an excess.

Senator DOUGLAS. Suppose a drive started for additional purchases of copper. How would you feel about that?

Mr. HOEGH. The same thing would be true. We have an adequate supply to meet our demands.

Senator DOUGLAS. And what about purchases of zinc?

Mr. HOEGH. Same thing is true. We have an abundance of zinc.

Senator DOUGLAS. Lead?

Mr. HOEGH. Same thing.

Senator DOUGLAS. I am very glad we are going to have some reinforcements, Governor.

Let me ask you this question: This stockpile was largely accumulated in the period when we were thinking of conventional warfare, warfare conducted primarily by ground troops. Now, it is quite possible, and indeed probable, that if we have a world war it would be a nuclear war.

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. To what degree are these huge stockpiles—both under the Defense Production Act and under the Stock Piling Act—really necessary for nuclear warfare?

Mr. HOEGH. In my opinion they are just as essential in case of a nuclear war.

Senator DOUGLAS. Why?

Mr. HOEGH. Because it is most important that we have a capability to restore our industrial production, and many of these materials and minerals will be needed toward that end.

Senator DOUGLAS. Would not everything be knocked out?

Mr. HOEGH. No, sir. No, sir. That is a false illusion that some people have, but nuclear war, if it were brought upon this Nation—we hope that it never comes to pass—would, of course, create tremendous damage to property and to lives, but it would not mean the destruction of America.

And certainly one of our objectives is to have a continuation of government, a continuation of production and survival of people, and for the long pull it is most important that industry have that capability. It must have these minerals. It must have this raw material in order to bring about the recovery action and the ultimate victory of this country.

I think it is a good investment.

I say this: Some of it is in excess, but in those instances we do try to dispose of the material, but only if it will not disrupt the market and will not bring injury to the industries involved.

Senator DOUGLAS. I am not an expert on these matters. In the days when we thought of an attack coming by airplane, we thought the industrial cities would be knocked out first. Now, with the great importance of missiles, it is probable that the first attack would be on our launching bases to knock out our power of retaliation.

If this were successful, then there would be the threat or the reality of missile attack on our industrial centers.

And from all the material I can get, the human destruction would be very great.

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. And industrial damage would be great as well.

I do not know what the answer is, I am very frank to say, but there is always a tendency for strategists to fight the next war in terms of the last war.

Mr. HOEGH. We are trying to overcome that. I can assure you our planning is not based on World War II. You take, of course, the experiences of those wars, but you project what would be the situation should a nuclear attack strike this country.

Our planning is based on not just today but it is based on 10 years hence.

We work very closely with the Department of Defense in order to be able to project what might happen in the future, and then our planning results in programs designed to bring about the survival and the ultimate recovery and victory of this Nation.

Senator DOUGLAS. That is the proper sentiment, but forgive me if I have doubts as to how much use some of these metals will be in the event of a future nuclear war.

But we will pass that over because your guess may be much better than mine.

Mr. HOEGH. Mr. Chairman, I might point this out: That we are taking a real close look again primarily to determine what the ultimate of these stockpiles should be, based upon a nuclear attack. That study is in great detail, and we hope to consummate it sometime in 1961. That will give us a clearer picture.

Senator DOUGLAS. Three-quarters of the stockpile is in the national stockpile?

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. That has been something that is offstage in our entire discussion and I suppose must of necessity be largely so.

If this is not a proper question to reply to, do not reply to it. Is it your judgment that the same statement which you have made about the Defense Production Act stockpile and the supplemental stockpile applies also to the national stockpile?

Mr. HOEGH. General speaking; yes, sir. Yes, sir.

Senator DOUGLAS. But not invariably?

Mr. HOEGH. No.

Senator DOUGLAS. Are you reviewing the specific commodities to determine whether or not they would be needed in the event of a nuclear war?

Mr. HOEGH. Yes, sir. We are reviewing each item, and we hope by the first of the year that we will have that information.

Senator DOUGLAS. Do you plan to dispose of those that you do not regard as essential?

Mr. HOEGH. Over a long period of time, and as long as it fits our policy that we will not disrupt the market; and, secondly, that it will not have international relations damage.

Senator DOUGLAS. Without objection, the report submitted by Senator Byrd will be printed in the record at this point. Without objection, also, the ODM policy statement on stockpiling critical and strategic materials will also be inserted in the record.

(The material referred to follows:)

[From the Congressional Record, May 11, 1960, p. 9217]

REPORT OF JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES—FEDERAL STOCKPILE INVENTORIES

Mr. BYRD of Virginia. Mr. President, as chairman of the Joint Committee on Reduction of Nonessential Federal Expenditures, I submit a report on Federal stockpile inventories as of March 1960. I ask unanimous consent to have the report printed in the Record, together with a statement by me.

(There being no objection, the report and statement were ordered to be printed in the Record, as follows:)

FEDERAL STOCKPILE INVENTORIES

MARCH 1960

INTRODUCTION

This is the fourth in a series of monthly reports on Federal stockpile inventories under the Department of Agriculture, General Services Administration, and the Office of Civil and Defense Mobilization. It is for the month of March 1960.

The report is compiled from official data on quantities and cost value of commodities in these stockpiles submitted to the Joint Committee on Reduction of Nonessential Federal Expenditures by the agencies involved.

The three agencies reported that as of March 1, 1960, the cost value of materials in their stockpile inventories totaled \$15,638,231,000 and as of March 31, 1960, they totaled \$15,603,074,000, a net decrease of \$35,157,000 reflecting acquisitions, disposals, adjustments, etc., during the month.

Different units of measure make it impossible to summarize the quantities of commodities and materials which are shown in tables 1, 2, and 3, but the cost value figures are summarized by agency and program as follows:

Summary of cost value of stockpile inventories

[In thousands]

Agency and program	Beginning of month, Mar. 1, 1960	End of month, Mar. 31, 1960	Net change, reflecting acquisitions, disposals, adjustments, etc.
Department of Agriculture:			
Price support program:			
Agricultural commodities.....	\$6,980,146	\$6,933,542	—\$46,604
Exchange commodities—strategic and critical materials.....	79,544	95,349	+15,805
Total, price support program.....	7,059,690	7,028,891	—30,799
Defense Production Act program.....	3	3	—
Total, Department of Agriculture.....	7,059,693	7,028,894	—30,799
General Services Administration:			
Strategic and critical materials:			
National stockpile.....	6,193,619	6,188,123	—5,496
Federal Facilities Corporation, tin inventory.....	9,519	9,519	—
Defense Production Act program.....	1,449,587	1,450,833	+1,246
Supplemental stockpile.....	693,767	693,546	—221
Supplemental stockpile inventory in transit.....	60,196	60,196	—
Total, General Services Administration.....	8,406,688	8,402,218	—4,470
Office of Civil and Defense Mobilization:			
Civil defense stockpile.....	171,850	171,962	+112
Grand total.....	15,638,231	15,603,074	—35,157

Detailed tables in this report show opening inventories at the beginning of the month in quantity and cost, transactions during the month, and the closing inventories at the end of the month. Each inventory is shown by commodity except the national stockpile, for which commodity detailed is classified.

Pertinent information and explanation are set forth in notes accompanying the respective tables. Statutory authority and program descriptions are shown in the appendix to the report.

The inventories covered by the report are tabulated in detail as follows:

Table 1.—Agricultural price support program inventories under Commodity Credit Corporation, Department of Agriculture, March 1960: Including agricultural commodities, strategic and critical materials acquired by exchange or barter, and special acquisitions under the Defense Production Act.

Table 2.—Strategic and critical materials inventories under General Services Administration, March 1960: Including materials in the national stockpile, Federal Facilities Corporation tin inventory, Defense Production Act purchase program, the supplemental stockpile of materials acquired by exchange or barter of agricultural commodities, etc., and inventory in transit from Commodity Credit Corporation to the supplemental stockpile.

Table 3.—Civil defense stockpile inventory under the Office of Civil and Defense Mobilization, March 1960.

TABLE 1.—Agricultural price support program inventories under Commodity Credit Corporation, Department of Agriculture, March 1960: Including agricultural commodities, strategic and critical materials acquired by exchange or barter, and special acquisitions under the Defense Production Act

EXPLANATORY NOTES

The Department of Agriculture defines the content of the columns as follows:

Program and commodity.—Lists each commodity in the form in which it exists when extended support, and in some instances in a form to which the supported commodity is processed or converted to increase marketability. The commodities are grouped under the appropriate statutory subclassifications as "Basic," "Designated nonbasic," "Other nonbasic," and "Exchange."

Unit of measure.—The applicable unit used in the accounting records and reports of the Corporation.

Inventory, beginning of month.—Quantity: In number of units. Cost value: All inventories are recorded in the accounts at cost. "Cost value" is comprised of the initial cost of the commodity plus storage, handling, transportation, and accessorial expenses paid or accrued up to the date of reporting. The initial cost of inventories acquired by delivery of collateral securing loans is the unpaid balance of the notes plus storage and other charges advanced, any equities due or paid to producers on warehouse-stored collateral (by Public Law 85-835, and beginning with 1959 crop production, the Corporation will not make equity payments to borrowers on unredeemed price support loan collateral, title to which it acquires on or after maturity of the loans), and the net value of any quantity or quality differences determined upon delivery of farm-stored collateral. Amounts paid to lending agencies participating in the loan program for crop years prior to 1958 were recorded as a part of inventory cost.

Adjustments.—Warehouse settlements, exchanges and transfers (net): Warehouse settlements include the net differences in quantity and/or value represented by the net of overdeliveries, premiums, underdeliveries, and discounts arising from movement of commodities. Exchanges represent the net change in quantity and/or value for inventories exchanged or in process of exchange. On completed exchanges, the change in value represents differentials due to location, quality, and quantity. Unprocessed commodities removed from inventory for conversion or processing (on a contractual or fee basis and excluding conditional sales) are included as a reduction of inventory. Processed commodities acquired as a result of this conversion or processing are included as an addition to inventory.

Acquisitions.—As reflected in accounting records and reports; and includes commodities acquired by delivery of collateral securing loans, commodities purchased under terms of purchase agreements, commodities purchased directly from producers or processors as a part of the support operation but not under purchase agreements; and processed commodities acquired by purchases which offset conditional sales of unprocessed commodities from inventory. The cost value of acquisitions is described under the explanation of the cost value of inventory.

Carrying charges added to investment after acquisition.—Total costs of storage, handling, transportation, and other accessorial expenses incurred during the month.

Disposals.—As reflected in accounting records and reports. Inventory transactions generally are recorded on the basis of transfer of title. Disposition commitments are not reflected in the accounts. Cost value: Represents acquisition value plus applicable amount of carrying charges. The amount of cost allocated to commodities removed from inventory is determined with the view of retaining in the inventory accounts the cost of commodities remaining on hand. The cost allocated to commodities removed from price support inventory is generally computed on the basis of average unit cost of the commodity reflected in the inventory accounts for the applicable crop year and general storage location. In the case of commodities generally stored commingled (e.g., bulk grains and bulk oils) the crop year is determined on the first-in, first-out basis. In the case of commodities stored in identified lots, the crop year is determined by lot identification.

Inventory, end of month.—Closing inventory after transactions for the month have been applied to the inventory at the beginning of the month.

TABLE 1.—Agricultural price support program inventories under Commodity Credit Corporation, Department of Agriculture, March 1960: Including agricultural commodities, strategic and critical materials acquired by exchange or barter, and special acquisitions under the Defense Production Act—Continued

[In thousands]

Program and commodity	Unit of measure	Inventory, beginning of month, Mar. 1, 1960		Transactions during the month						Inventory, end of month, Mar. 31, 1960			
		Quantity	Cost value	Adjustments		Acquisitions		Carrying charges added to investment after acquisition	Disposals		Quantity	Cost value	
				Quantity	Cost value	Quantity	Cost value		Quantity	Cost value			
Price support program:													
Agricultural commodities:													
Basic commodities:													
Cornmeal	Bushel	1,222,851	\$2,163,865	-182	-\$236	-282	-\$356	\$12,860	12,511	\$38,762	1,209,906	\$2,147,371	
Cotton, extra long staple	Pound	54	15,388			65,265	2,493	65,265	65,265	2,492			
Peanuts, farmers' stock	do.	28,753	1,016,876			49	7,720	23	307	53,615	5,559	972,591	
Peanuts, shelled	Pound	70,677	2,601	-4,829	-699	77,215	6,962	1,650	7,596	8,014	91,165	8,692	
Rice, milled	do.	3,402	11,578	+4,829	+699	3,943	483	108	7,596	1,155	71,883	11,715	
Rice, rough	Hundredweight	2,382	36,929	(1)	-1	(1)	-1	292	6,125	2,863	2,863	29,398	
Tobacco	Pound	4,203	13,647	(1)	-1	4,576	23,068	292	1,067	6,138	5,041	4,416	
Wheat	do.	1,085,205	2,910			1,839	1,129	2	4,001	2,625	2,041	1,498	
Wheat flour	Bushel		2,843,972	+272	+706	2,788	5,297	18,138	13,775	46,569	1,074,490	2,821,524	
	Pound	60	3			185,802	9,966	-3	185,802	9,963	60	3	
Total basic commodities			6,107,779		+469		55,791	33,774		168,142		6,039,671	
Designated nonbasic commodities:													
Barley	Bushel	61,378	73,872	-47	-42	102	93	1,263	1,740	2,791	59,693	72,395	
Grain sorghum	Hundredweight	298,468	712,790	+147	+273	2	6	7,296	563	1,461	298,054	718,874	
Honey	Pound	1,362	144					27	321	50	1,031	131	
Milk and butterfat:													
Butter	do.	21,786	12,798			29,439	17,047	255	6,976	4,185	44,249	25,915	
Cheese	do.	16,339	6,823					147	4,089	1,802	41,249	4,168	
Milk, dried	do.	113,767	16,429			83,194	11,625	710	23,138	3,822	173,823	24,942	
Milk, fluid	do.					16,712	2,069	414	16,712	3,822			
Oats	do.	13,660	10,207	-62	-42	2,576	2,069	66	2,407	2,340	14,057	10,398	
Rye	Bushel	2,870	3,730	+4	+2	3	4	56	68	125	2,809	3,809	
Tung oil	do.	25,496	6,464	-19	-4			16	1,452	319	23,994	5,157	
Total, designated nonbasic commodities			841,257		+187		31,629	10,164		17,580		865,557	
Other nonbasic commodities:													
Beans, dry, edible	Hundredweight	(1)	2	+2	+6	181	1,169	(1)		(1)	181	1,161	
Flaxseed	Bushel		19	+3	+6	-1	-7	19	1	10	7	20	

Unseed oil.....	Pound	55, 016	6, 707																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
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NOTE.—Figures are rounded and may not add to totals;

³ See appendix, p. 14, for notes relating to reporting of strategic and critical materials acquired by exchange or barter of agricultural commodities.

! Less than 500.

³ See appendix, materials section.

TABLE 2.—Strategic and critical materials inventories under General Services Administration, March 1960: Including materials in the national stockpile, Federal Facilities Corporation tin inventory, Defense Production Act purchase program, the supplemental stockpile of materials acquired by exchange or barter of agricultural commodities, etc., and inventory in transit from Commodity Credit Corporation to the supplemental stockpile

EXPLANATORY NOTES

The General Services Administration defines the content of the columns as follows:

Program and commodity.—Identifies the program and the minerals, metals, fibers, and oils acquired under the program.

Unit of measure.—The standard weight or measure of minerals, metals, fibers, and oils determined to be the stockpile unit of measure.

Inventory, beginning of month.—Opening inventory represents quantity and cost of material in storage at the beginning of the accounting period.

Adjustments.—Represents increases (+) or decreases (−) of material in inventory other than increases from acquisitions or decreases from disposals. Decreases occur from theft, loss incurred while in transit to stockpile location, repacking from one type of container to another, beneficiation of a low-grade material to a higher grade, and the removal of material for sampling and testing purposes. Increases occur from return of material previously removed for sampling and testing purposes and from quantities received at storage locations in excess of quantities billed by the contractor. A new chemical analysis of the materials may cause an increase or decrease where the weights are based on chemical and moisture content. Increases or decreases are also made from findings of audits of inventory and accounting records.

Acquisitions.—For the National Stockpile and Defense Production Act acquisitions include open market purchases at contract prices; intradepartmental transfers at market or appraised value at time of transfer; transportation to first permanent storage location; and beneficiating and processing cost in upgrading materials. For the supplemental stockpile acquisitions include the market value or CCC's acquisition cost whichever is the lower at time of transfer from CCC.

Disposals.—Cost of disposals are calculated at the average unit price of inventory at time of removal from inventory. For the national stockpile inventory disposals consist of sale of materials that by their nature would deteriorate if held in storage for lengths of time; and sale of materials that have been determined to be obsolete or excess to the needs of Government. For the Defense Production Act inventory disposals consist of sale of materials that have been determined to be obsolete or excess to the needs of Government.

Inventory, end of month.—Closing inventory represents quantity and cost of material in storage at the end of the accounting period.

TABLE 2.—Strategic and critical materials inventories under General Services Administration, March 1960: Including materials in the national stockpile, Federal Facilities Corporation tin inventory, Defense Production Act purchase program, the supplemental stockpile of materials acquired by exchange or barter of agricultural commodities, etc., and inventory in transit from Commodity Credit Corporation to the supplemental stockpile—Continued

(In thousands)

Program and commodity	Unit of measure	Transactions during the month						Inventory, end of month, Mar. 31, 1960	
		Inventory, beginning of month, Mar. 1, 1960		Adjustments		Acquisitions		Disposals	
		Quantity	Cost value	Quantity	Cost value	Quantity	Cost value	Quantity	Cost value
National stockpile, total (classified detail omitted)	Long ton	4	\$6,193,619		+\$2,742		\$839		\$9,077
Federal Facilities Corporation: Total, tin									
Defense Production Act:									
Aluminum	Short ton	716	362,959						
Asbestos, chrysotile	Short dry ton	2	2,103						
Bauxite, metal grade, Jamaica type	Long dry ton	1,370	18,168						
Beryl	Short ton	2	1,005						
Bismuth	Pound	23	52	(1)					
Chromite, metallurgical grade	Short dry ton	805	29,229						
Cobalt	Pound	21,073	44,747						
Columbite	Pound	10,456	50,548						
Copper	Short ton	136	75,008						
Cryolite	Short ton	39	10,676						
Fluorspar, acid grade	Short dry ton	20	1,394						
Graphite, lubricating	Short ton	1	178						
Lead	do	8	3,150	(1)	-114				
Manganese, battery grade, synthetic dioxide	Short dry ton	4	2,524						
Manganese, metallurgical grade	do	2,981	169,905						
Mica, muscovite block, strained and better	Pound	5,533	30,477						
Mica, muscovite film	do	97	532						
Nickel	do	136,371	126,911						
Paladium	Troy ounces	8	177						
Rare earth residue	Pound	6,098	653						
Rutile	Short dry ton	8	1,476						
Thorium	Pound	778	38						
Tantalite	do	1,529	9,734						
Tin	Long ton	1	1,033						
Tungsten	Short ton	22	167,649						
Subtotal, DPA commodities	Pound	79,810	325,461						
			1,436,390		-362		17,310		8,899

See footnotes at end of table, p. 9.

TABLE 2.—Strategic and critical materials inventories under General Services Administration, March 1960: Including materials in the national stockpile, Federal Facilities Corporation tin inventory, Defense Production Act purchase program, the supplemental stockpile of materials acquired by exchange or barter of agricultural commodities, etc., and inventory in transit from Commodity Credit Corporation to the supplemental stockpile—Continued

[In thousands]

Program and commodity	Unit of measure	Inventory, beginning of month, Mar. 1, 1960	Transactions during the month						Inventory, end of month, Mar. 31, 1960
			Adjustments		Acquisitions		Disposals		
			Quantity	Cost value	Quantity	Cost value	Quantity	Cost value	
Defense Production Act—Continued									
Machine tools inventory:									
In storage.....	Tool.....	1	\$8,711						
On lease.....	do.....	(1)	4,466						
On loan.....	do.....	(1)	20				\$4		
Subtotal, DPA machine tools.....			13,197				4		6,807
Total, Defense Production Act.....			1,440,587				17,314		15,706
Supplemental stockpile: ¹									
Aluminum oxide, fused, crude.....	Short ton.....	101	12,784						101
Antimony, metal.....	do.....	7	3,973						7
Asbestos, chrysotile.....	Short dry ton.....	5	3,499						5
Bauxite, metal grade, Jamaica type.....	Long dry ton.....	1,865	26,871	(1)	+1,785				1,865
Bauxite, metal grade, Surinam type.....	do.....	475	6,846		+455				475
Beryl.....	Short ton.....	7	14,298		-16				7
Bismuth.....	Pound.....	1,146	2,579						1,146
Cadmium.....	do.....	6,248	10,287		+192				6,248
Chromite, chemical grade.....	Short dry ton.....	17	11,067		-213				17
Chromite, metallurgical grade.....	do.....	1,032	162,464		-292				1,035
Chromite, refractory grade.....	do.....	133	4,352	+3					133
Cobalt.....	Pound.....	1,077	2,169						1,077
Columbite.....	Long dry ton.....	40	1,571		+169				40
Columbite.....	Pound.....	34	6,390						34
Copper.....	Short ton.....	9	6,283		-3				9
Diamond, industrial; stones.....	Carat.....	7,010	91,823						7,010
Fluorspar, acid grade.....	do.....	445	25,345						445
Graphite, natural Ceylon, amorphous lump.....	Short dry ton.....	243	341		-680				243
Iodine.....	do.....	243	341						243
Lead.....	Pound.....	192	52,810		-460				192
Manganese, battery grade, natural.....	Short ton.....	35	3,290		+53				35
Manganese, chemical grade, type B.....	Short dry ton.....	17	1,340						17

	do	100,513 3,397	-56	1,048 16	100,455 3,397	1,048 16
Manganese, metallurgical grade.....	Flask	197		197		
Mercury.....	Pound	284		284		
Niteo, muscovite block, strained and better.....	do	4,565	-81	4,565		
Niteo, muscovite film.....	do	8,799	+126	8,799		
Palladium.....	Pound	488	-1	488		
Quartz crystals.....	Troy ounce	82		82		
Rare earths.....	Short dry ton	2,427		2,427		
Ruthenium.....	Troy ounce	15		15		
Selenium.....	Pound	60		60		
Silicon carbide, crude.....	Short ton	10,523		10,409		
Tantalum.....	Pound	45	-114	45		
Thorium nitrate.....	do	1,200		2,698		
Titanium.....	Short ton	21,879	-820	21,059		
Tungsten.....	Pound	15,627		15,627		
Zinc.....	Short ton	75,324	-256	75,068		
Total, supplemental stockpile.....		693,767	-221	693,546		
Supplemental stockpile inventory in transit:						
Antimony, metal.....	Short ton	362		362		
Bauxite.....	Long dry ton	5,801		5,801		
Beryllium copper master alloy.....	Short ton	1,244		1,244		
Cadmium.....	Pound	113		113		
Chromium metal.....	Short ton	979		979		
Colemanite.....	Long dry ton	275		275		
Diamonds.....	Carat	24,149		24,149		
Ferrochrome, high carbon.....	Short ton	3,962		3,962		
Ferrochrome, low carbon.....	do	2,153		2,153		
Ferromanganese.....	do	167		167		
Fluorspar, acid grade.....	Short dry ton	718		718		
Lead.....	Short ton	25		25		
Mica.....	Pound	4,899		4,899		
Palladium.....	Troy ounce	499		499		
Selenium.....	Pound	60		60		
Silicon carbide, crude.....	Short dry ton	1,016		1,016		
Thorium nitrate.....	Pound	97		97		
Tin.....	Long ton	1,944		1,944		
Zinc.....	Short ton	2,837		2,837		
Total, supplemental stockpile inventory in transit.....		1,254		1,254		
Total, General Services Administration.....		2		2		
		3,776		3,776		
		60,196		60,196		
		8,406,638		8,406,638		
		18,164		18,164		
		-7,189		-7,189		
		24,789		24,789		
		8,402,218		8,402,218		

NOTE.—Figures are rounded and may not add to totals.

* See appendix, p. 14, for notes relating to reporting of strategic and critical materials acquired by exchange or barter of agricultural commodities.

TABLE 3.—*Civil defense stockpile inventory under the Office of Civil and Defense Mobilization, March 1960*

EXPLANATORY NOTES

The Office of Civil and Defense Mobilization defines the content of the columns as follows:

Commodity.—Composite groups of many different items.

Unit of measure.—Shown only for engineering supply units and hospital functional units; not feasible by other composite groups.

Inventory-quantity.—Shown only for two items, namely, engineering supply units and civil defense emergency hospital functional units. It is not feasible to furnish quantity figures on the other commodity groups because they are composite groups of many different items. To report quantities, it would be necessary to list several hundred different items.

Inventory-cost value.—The dollar value figures on commodities in the civil defense stockpile inventory reflect essentially the actual costs of the commodities. No transportation, delivery, or storage costs are included. However, these statements should be qualified by the fact that the total inventory includes Government excess property items valued at over \$2 million (a little more than 1 percent of the total), which were acquired by Office of Civil and Defense Mobilization at little or no cost. These materials are received into the inventory on one of three value bases: Items similar or identical to items purchased in the open market for stockpile purposes are accepted at the average unit cost for similar items purchased; the remaining items are accepted at a current fair value, if such has been determined, or at the original acquisition cost to the Federal Government, if a current fair value has not been determined.

Adjustments.—Represents inventory pricing adjustments resulting from recalculation of fixed average unit prices, transfers of commodities from one composite group to another, etc., during the month.

Acquisitions.—Materials placed in inventory during the month, including return to inventory of items previously released from inventory for reworking, etc. Value stated in terms of actual costs of the commodities.

Disposals.—Materials removed from inventory during the month, including items released from inventory for reworking, etc. Value stated in terms of average unit costs.

Inventory at end of month.—Closing inventory after transactions for the month have been applied to the inventory at the beginning of the month.

TABLE 3.—Civil defense stockpile inventory under the Office of Civil and Defense Mobilization, March 1960—Continued

[In thousands]

Commodity	Unit of measure	Inventory, beginning of month, Mar. 1, 1960		Transactions during the month								Inventory, end of month, Mar. 31, 1960	
				Adjustments		Acquisitions		Disposals					
								Quantity	Cost value	Quantity	Cost value		
		Quantity	Cost value	Quantity	Cost value	Quantity	Cost value	Quantity	Cost value	Quantity	Cost value	Quantity	Cost value
Engineering stockpile (engine generators, pumps, chlorinators, purifiers, pipe and fittings), Medical bulk stocks and associated items at OCIDM locations.	10-mile units.	(1)	\$6, 625		\$ +\$181							(1)	\$6, 806
Medical bulk stocks at manufacturer locations.			108, 285		-559		\$461				\$89		108, 167
Chemical and biological equipment.			4, 497								\$70		4, 427
Radiological equipment.			1, 193		-324						\$12		856
Civil defense emergency hospital functional units.	each.	2	6, 118				28				\$220	2	6, 926
Replenishment units for hospitals.			38, 806		+647								38, 806
			11, 627										12, 273
Total, civil defense stockpile.			171, 850		-55		490				311		171, 963

1 Less than \$00.

2 Includes adjustment necessitated by price revaluation.

3 Inventory writeoff (certificate of destruction).

4 Granted to States and to other Federal agencies.

NOTE.—Figures are rounded and may not add to totals.

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE COMMODITY CREDIT CORPORATION

The price support program

Price-support operations are carried out under the Corporation's charter powers (15 U.S.C. 714), in conformity with the Agricultural Act of 1949 (7 U.S.C. 1421), the Agricultural Act of 1954 (7 U.S.C. 1741), which includes the National Wool Act of 1954, the Agricultural Act of 1956 (7 U.S.C. 1442), the Agricultural Act of 1958 and with respect to certain types of tobacco, in conformity with the act of July 28, 1945, as amended (7 U.S.C. 1312). Under the Agricultural Act of 1949, price support is mandatory for the basic commodities—corn, cotton, wheat, rice, peanuts, and tobacco—and specific nonbasic commodities; namely, tung nuts, honey, milk, butterfat, and the products of milk and butterfat. Under the Agricultural Act of 1958, as producers of corn voted in favor of the new price-support program for corn authorized by that act, price support is mandatory for barley, oats, rye, and grain sorghums. Price support for wool and mohair is mandatory under the National Wool Act of 1954, through the marketing year ending March 31, 1962. Price support for other nonbasic agricultural commodities is discretionary except that whenever the price of either cottonseed or soybeans is supported, the price of the other must be supported at such level as the Secretary determines will cause them to compete on equal terms on the market. This program may also include operations to remove and dispose of or aid in the removal or disposition of surplus agricultural commodities for the purpose of stabilizing prices at levels not in excess of permissible price-support levels.

Price support is made available through loans, purchase agreements, purchases, and other operations, and, in the case of wool and mohair, through incentive payments based on marketings. The producer's commodities serve as collateral for price-support loans. With limited exceptions, price-support loans are non-recourse and the Corporation looks only to the pledged or mortgaged collateral for satisfaction of the loan. Purchase agreements generally are available during the same period that loans are available. By signing a purchase agreement, a producer receives an option to sell to the Corporation any quantity of the commodity which he may elect within the maximum specified in the agreement.

The major effect on budgetary expenditures is represented by the disbursements for price-support loans. The largest part of the commodity acquisitions under the program result from the forfeiting of commodities pledged as loan collateral for which the expenditures occurred at the time of making the loan, rather than at the time of acquiring the commodities.

Dispositions of commodities acquired by the Corporation in its price-support operations are made in compliance with sections 202, 407, and 416 of the Agricultural Act of 1949, and other applicable legislation, particularly the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691), title I of the Agricultural Act of 1954, title II of the Agricultural Act of 1956, the Agricultural Act of 1958, the act of August 19, 1958, in the case of cornmeal and wheat flour, and the act of September 21, 1959, with regard to sales of livestock feed in emergency areas.

Defense Production Act program

The programs authorized by and certified to the Secretary of Agriculture under the provisions of the Defense Production Act are administered and operated through the Commodity Credit Corporation.

All present and past programs involve the acquisition and disposition of agricultural commodities or products thereof. Commodities acquired are entered in and maintained through the inventory accounts of the Corporation. As the commodities are disposed of, the realized gains or losses are recorded by CCC as a

receivable against the Secretary of Agriculture. Administrative expenses of the Corporation are recorded in this receivable; and interest is computed monthly on the total amount of CCC's investment at the same rate per annum as that paid by the Corporation on its borrowings from the Treasury.

The net total of realized gains and losses, CCC's administrative expenses, and CCC's interest expense represented a payable item under the revolving fund.

The recording of realized gains or losses represents a cash basis, inasmuch as the amounts recorded represent the net results of actual dispositions. Values of inventories on hand at reporting date are not included in these fund accounts and therefore allowances for losses are not included. Administrative and interest expenses are accounted for on an accrual basis. All values are at cost.

When a program is completed, the Secretary of Agriculture secures funds by issuing interest-bearing notes to the Treasury and reimburses CCC. Interest on the notes issued by the Secretary is accrued monthly, compounded semi-annually, as an accrued liability of the revolving fund.

GENERAL SERVICES ADMINISTRATION

STRATEGIC AND CRITICAL MATERIALS STOCKPILING AND RELATED PROGRAMS

1. National stockpile

The Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) provides for the establishment and maintenance of a national stockpile of strategic and critical materials. GSA is responsible for making purchases of strategic and critical materials and providing for their storage, security, and maintenance. These functions are performed in accordance with directives issued by the Director of the Office of Civil and Defense Mobilization. The act also provides for the transfer from other Government agencies of strategic and critical materials which are excess to the needs of such other agencies and are required to meet the stockpile objectives established by OCDM. In addition, GSA is responsible for disposing of those strategic and critical materials which OCDM determines to be no longer needed for stockpile purposes.

General policies for strategic and critical materials stockpiling are contained in DMO V-7, issued by the Director of the Office of Civil and Defense Mobilization and published in the Federal Register of December 19, 1959 (24 F.R. 10309). Portions of this order relate also to Defense Production Act inventories.

2. Tin received from Federal Facilities Corporation

Public Law 608, 84th Congress (50 U.S.C. 98 note), provided, among other things, for the continuation of operation of the Government-owned tin smelter at Texas City, Tex., from June 30, 1956, until January 31, 1957. It provided also that all tin acquired by the Federal Facilities Corporation by reason of such extension should be transferred to GSA.

3. Defense Production Act

Under section 303 of the Defense Production Act of 1950 (50 U.S.C. App. 2093) and Executive Order 10480, as amended, GSA is authorized to make purchases of or commitments to purchase metals, minerals, and other materials, for Government use or resale, in order to expand productive capacity and supply, and also to store the materials acquired as a result of such purchases or commitments. Such functions are carried out in accordance with programs certified by the Director of the Office of Civil and Defense Mobilization.

4. Supplemental stockpile

As a result of a delegation of authority from OCDM (32A C.F.R., ch. I, DMO V-4) GSA is responsible for the maintenance and storage of materials placed in the supplemental stockpile. Section 206 of the Agricultural Act of 1956 (7 U.S.C. 1856) provides that strategic and other materials acquired by the Commodity Credit Corporation as a result of barter or exchange of agricultural products, unless acquired for the national stockpile or for other purposes, shall be transferred to the supplemental stockpile established by section 104(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1704(b)). In addition to the materials which have been or may be so acquired, the materials obtained under the programs established pursuant to the Domestic Tungsten, Asbestos, Fluorspar, and Columbium-Tantalum Production and Purchase Act of 1956 (50 U.S.C. App. 2191-2195), which terminated December 31, 1958, have been transferred to the supplemental stockpile, as authorized by the provisions of said Production and Purchase Act.

OFFICE OF CIVIL AND DEFENSE MOBILIZATION

CIVIL DEFENSE STOCKPILE PROGRAM

This stockpiling program, under authorization of Public Law 920, 81st Congress, section 201(h), is designed to provide some of the most essential medical and engineering supplies for emergency use in event of enemy attack. Materials and equipment not normally available or not present in the quantities needed to cope with such conditions are stockpiled at strategic locations. The Office of Civil and Defense Mobilization stockpile procured to date including medical supplies, emergency engineering equipment, and radiological instruments is stored and maintained in a nationwide warehouse system consisting of medical and general storage facilities.

EXPLANATORY NOTES RELATING TO THE REPORTING OF STRATEGIC AND CRITICAL MATERIALS ACQUIRED BY EXCHANGE OR BARTER OF AGRICULTURAL COMMODITIES

Surplus agricultural commodities in the Commodity Credit Corporation's price-support inventory may be exchanged or bartered for strategic and critical materials under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), and other basic legislation including the CCC Charter Act, as amended, the Agricultural Act of 1954, and the Agricultural Act of 1956.

Except for small amounts which may go to the national stockpile, the strategic and critical materials acquired by Commodity Credit Corporation under the barter program are transferred to the supplemental stockpile.

Direct appropriations reimburse Commodity Credit Corporation for materials so transferred from the price-support inventory.

The General Services Administration is charged with the custody and management of strategic and critical materials, and becomes the responsible reporting agency when title to these bartered materials is placed in the supplemental stockpile.

For purposes of this report, strategic and critical materials acquired by barter may appear in three inventories, reflecting the stages of the transfer of title.

1. The Department of Agriculture reports those to which the Commodity Credit Corporation still has title, prior to transfer to the supplemental stockpile.

2. The General Services Administration reports those which have been transferred from the Commodity Credit Corporation exchange inventory in two parts:

- A. Materials for which title is "in transit" from Commodity Credit Corporation to the supplemental stockpile.

- B. Materials for which title has passed to the supplemental stockpile.

STATEMENT BY SENATOR BYRD OF VIRGINIA

The cost value of materials in nine Federal stockpile inventories as reported by the Department of Agriculture, General Services Administration and the Office of Civil and Defense Mobilization, on March 31, 1960, totaled \$15,603,-074,000. March activity in these stockpiles resulted in a net reduction of \$35,157,000.

The net change in these stockpile inventories reflects acquisitions, disposals and adjustments. The March activity and the end-of-the-month totals are summarized as follows:

[In thousands]

Inventories by agency and program	Cost value, March 1960	
	Net change during month	Total, end of month
Department of Agriculture:		
Price support program:		
1. Agricultural commodities.....	-\$46,604	\$6,933,542
2. Exchange, strategic, and critical materials.....	+15,805	95,349
Total, price support program.....	-30,799	7,028,891
3. Defense Production Act program.....		8
Total, Department of Agriculture.....	-30,799	7,028,894
General Services Administration—Strategic and critical materials:		
4. National stockpile.....	-5,496	6,188,123
5. Federal Facilities Corporation, tin inventory.....		9,519
6. Defense Production Act program.....	+1,246	1,450,833
7. Supplemental stockpile.....	-221	693,546
8. Supplemental stockpile inventory in transit.....		60,196
Total, General Services Administration.....	-4,470	8,402,218
Office of Civil and Defense Mobilization:		
9. Civil defense stockpile.....	+112	171,962
Grand total.....	-35,157	15,603,074

These figures are from reports certified by the agencies involved as compiled by the Joint Committee on Reduction of Nonessential Federal Expenditures.

INCREASES AND DECREASES

Major net decreases in cost value during the month were reported as follows: \$44 million in cotton, \$22 million in wheat, and \$16.5 million in corn.

These decreases were partially offset by major net increases including: \$20 million in milk and butterfat, \$12 million in aluminum and aluminum ores, and \$10 million in rice.

AGRICULTURAL COMMODITIES

Of 23 agricultural commodities in Commodity Credit's \$6.9 billion price support inventory on March 31, 1960, those leading in cost value include:

Wheat, with 1.1 billion bushels at a cost of \$2.8 billion;
 Corn, with 1.2 billion bushels at a cost of \$2.1 billion; and
 Cotton, with more than 5.6 million bales at a cost of \$988 million.

STRATEGIC AND CRITICAL MATERIALS

Strategic and critical materials are shown in six inventories totaling \$8.5 billion, including the \$6.2 billion national stockpile for which itemized detail is classified. Combined figures from the other five inventories show materials (in all grades and forms) leading in cost value as follows:

Aluminum, bauxite, etc., with 5.8 million tons at a cost of \$454 million; tungsten, with 84 million pounds at a cost of \$341 million, and manganese and manganese ores, with 4.4 million tons at a cost of \$292 million.

CIVIL DEFENSE SUPPLIES AND EQUIPMENT

The civil defense stockpile is shown in seven composite groups totaling \$172 million. Nearly 63 percent is in medical bulk stocks valued at \$108 million.

[From the Federal Register, Dec. 19, 1959]

TITLE 32A—NATIONAL DEFENSE, APPENDIX

CHAPTER I—OFFICE OF CIVIL AND DEFENSE MOBILIZATION

[D.M.O. V-3 Cancelled]

DMO V-3—POLICY REGARDING SURPLUS MATERIALS ACQUIRED UNDER THE DEFENSE PRODUCTION ACT

[D.M.O. V-7, Revised]

DMO V-7—GENERAL POLICIES FOR STRATEGIC AND CRITICAL MATERIALS STOCK-PILING

By virtue of the authority vested in me by Reorganization Plan No. 1 of 1958 and Executive Order 10773, it is hereby ordered:

1. *General role of the strategic stockpile.* The strategic stockpile shall take account of the potentiality of limited war and general war and shall assume rapid mobilization in the event of an emergency.

2. *Period covered by stockpiling.* All strategic stockpile objectives shall be limited to meeting estimated shortages of materials for a three-year emergency.

3. *Stockpile objectives.* Strategic stockpile objectives shall be adequate for limited or general war, whichever shows the larger supply-requirements deficit to be met by stockpiling. Stockpile objectives shall be determined on the basis of time required for supplies of materials in a national emergency to match, essential needs of the emergency. The objectives shall consist of (1) a "basic objective," which assumes reliance on sources of supply factored to reflect estimated supply risks, and (2) a "maximum objective," which includes an additional allowance to take into account the complete discounting of sources of supply beyond North America and comparably accessible areas.

Until such time as the essential needs of the nation in the event of a nuclear attack (including reconstruction) can be determined, the maximum objective shall not be less than six months' usage by industry in the United States in periods of active demand.

4. *Emergency requirements.* The requirements estimates for both limited and general war shall reflect specific requirements so far as they are applicable and available. Otherwise it shall be assumed that the total requirements would about equal the consumption by industrial capacity, considering necessary wartime limitation, conservation, and substitution measures. Requirements shall be discounted for wartime losses of consuming capacity to the extent that such losses can be reliably estimated.

5. *Emergency supplies.* Estimates of supply for the mobilization period shall be based on readily available capacity and known resources. The share available to the United States shall be discounted to reflect the risks involved internally in supply countries, the risks of concentration of the source, the risks of overseas shipping and the vulnerability of domestic sources to destruction. Domestic supplies shall be discounted in cases of excessive concentration to the extent of the estimated time required to restore capacity that may be damaged.

6. *Provision for special-property materials.* Prospective needs for high-temperature and other special-property materials shall be considered on the basis of a three-year period beginning not more than two years in the future. Estimates of requirements therefor shall be included in the computation of objectives when there are indications of reasonably firm minimum requirements. In this connection arrangements shall be made for the regular availability of objective scientific advice to assist in such evaluation.

7. *Frequency of supply-requirements reviews.* The supply-requirements balance for any material that is now or may become important to defense shall be kept under continuing surveillance and shall be given a full-scale review at any time that a change is believed to be taking place that would have a significant bearing on the wartime readiness position. Supply-requirements balances shall be examined at least once a year to ascertain the need for a full-scale review. Priority of review shall be given to materials under procurement.

8. *Procurement policy.* The basic objectives shall be attained expeditiously. If necessary, sources of supply shall be expanded. Procurement, however, shall be tapered as the basic objectives are approached. The maximum objective shall be reached on a lower priority basis by such means as (1) deliveries under existing contracts, (2) transfers from other Government programs, (3) purchases with

available foreign currencies, (4) barter of U.S. agricultural surpluses, and (5) programs to maintain the mobilization base under paragraph 9. Future long-term contracts shall contain termination clauses whenever possible.

9. *Maintenance of the mobilization base.* The mobilization base shall relate to the projected supply capacity, including standby capacity, that would be readily available for an emergency commencing on any assumed date rather than to the output of a given period. Stockpile procurement to maintain this capacity shall be undertaken only within the maximum objective. Although various measures that are feasible shall be considered for meeting a mobilization deficit of materials, measures other than stockpiling shall be undertaken only after it is clear that stockpiling is not the best solution. All inventories of Government-owned materials held for long-term storage are a part of the mobilization base. If they are sufficiently large they may eliminate the need for a producing mobilization base segment.

10. *Upgrading to ready usability.* Where the general basis for estimating supplies of a material, including allowance for plant vulnerability, does not call for a sufficient quantity in a form suitable for immediate use to meet the initial surge of demand and abnormal conditions of intensive mobilization, a minimum readiness inventory—approximately a six months' requirement—shall be provided near centers of consumption. An interagency review should be undertaken to determine whether a need for a larger or lesser allowance may exist. Materials in Government inventories may be upgraded only when the net cost is less than the cost of new material. Materials will not be upgraded to such a degree, however, as to impair flexibility of use. Payment in kind may be used within the objectives to finance the upgrading, provided that the release of materials to pay for the upgrading will meet disposal criteria.

11. *Beneficiation of subspecification materials.* Subspecification-grade material in Government inventory may be beneficiated within the limits of the maximum objectives when this can be accomplished at less net cost than buying new material.

12. *Cancellation of commitments.* Commitments for deliveries to national stockpile and Defense Production Act inventories beyond the maximum objectives shall be canceled or reduced when settlements can be arranged which would be mutually satisfactory to the supplier and the Government and which would not be disruptive to the economy or to projects essential to the national security. Such settlements may take into account anticipated profits and cover adjustments for above-market premiums. The settlement of commitments may be made through the payment of cash or through the application of surplus property or resale of materials. Responsibility with respect to the settlement of commitments in the light of overall interests of the Government rests with the Administrator of General Services, who shall keep other agencies advised and consult with them to the extent appropriate.

13. *Retention of Defense Production Act inventories.* Within the limits of unfilled maximum stockpile objectives, stockpile-grade materials acquired under the Defense Production Act shall be retained for national stockpile purposes.

14. *Disposals.* The Director of the Office of Civil and Defense Mobilization will authorize the disposal of excess materials whenever possible under the following conditions: (a) avoidance of serious disruption of the usual markets of producers, processors, and consumers, (b) avoidance of adverse effects on international interests of the United States, (c) due regard to the protection of the United States against avoidable loss, and (d) except when the materials are channeled to other agencies for their direct use, approval of the Departments of the Interior, Commerce, State, Agriculture, and Defense, and other governmental agencies concerned, and consultation as appropriate with the industries concerned.

In making such disposals preference shall be given to materials in the DPA inventories.

Disposals of materials that deteriorate, that are likely to become obsolete, that do not meet quality standards, or that do not have stockpile objectives, are to be expedited.

The Administrator of General Services shall be responsible for conducting negotiations for the sale of materials and will consult with and advise the agencies concerned.

15. *Public notice on disposals.* Generally, the sale of excess materials acquired under the Defense Production Act will be made only after appropriate public announcement of the quantity or quantities to be offered in a specified period of time.

16. *Direct Government use.* Government agencies which directly use strategic and critical materials shall fulfill their requirements through the use of materials in Government inventories that are excess to the needs thereof whenever such action is found to be consistent with overall disposal policies and with the best interests of the Government. Except where appropriate in the judgment of the Administrator, General Services Administration, the requirements of section 14, above, with respect to approval by Government departments or agencies and consultation with industries, shall not be applicable to transfers of strategic and critical materials for direct Government use.

17. *Declassification of stockpile data.* The Office of Civil and Defense Mobilization shall declassify stockpile data to the maximum extent feasible when it determines with the concurrence of agencies concerned that the national security would not thereby be jeopardized.

Defense Mobilization Order V-3 (19 F.R. 1511, Mar. 19, 1954) is hereby canceled.

Defense Mobilization Order V-7 (23 F.R. 4333, June 14, 1958) is hereby superseded.

These policies are effective immediately.

Dated: December 10, 1959.

LEO A. HOEGH,

Director, Office of Civil and Defense Mobilization.

[F.R. Doc. 59-10745; Filed, Dec. 18, 1959; 8:45 a.m.]

Senator DOUGLAS. The second amendment which you requested would make the report on the borrowing authority semiannual instead of quarterly. You stated this would save money and that this was the principal reason for recommending it.

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. How much money roughly would it save?

Mr. HOEGH. Well, I would say in the neighborhood of \$10,000 to \$15,000 a year.

Senator DOUGLAS. This may seem to be peanuts to many, but it is not peanuts to me.

Mr. HOEGH. It is not to me either.

Senator DOUGLAS. Do you see any argument against having this a semiannual report?

Mr. HOEGH. I know of no reasons.

Senator DOUGLAS. You do not report on the national stockpile? You report only on the Defense Production Act stockpile?

Mr. HOEGH. No; I report also on the national stockpile. The detailed one on that goes to the Armed Services Committee.

Senator DOUGLAS. Yes. Here you are simply requesting that the report on the Defense Production Act borrowing authority transactions be made semiannually rather than quarterly?

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. This would save \$15,000 a year?

Mr. HOEGH. Approximately.

Senator DOUGLAS. Unless there is a good reason to the contrary I would favor including that amendment.

Mr. HOEGH. Mr. Chairman, we would press for all three amendments. The thing is we are most anxious, however, that we do not lose the Defense Production Act and the extension, and if it can be done without jeopardizing the extension we would be most delighted to have that occur.

Senator DOUGLAS. The third amendment is a matter that I would like to go into in more detail.

Am I correct in understanding that that would waive the payment of interest by the General Services Administration to the Treasury

after June 30 of this year on money advanced for purposes covered by section 303? Namely, for the purchase and sale programs or for subsidies or other outright payments?

The probable cash requirements forecast seems to indicate that about \$331 million of interest charges are involved compared with an expected overall cash deficit of \$381 million as of June 30, 1965.

Mr. HOEGH. That is correct, sir.

Senator DOUGLAS. Why do you want to free General Services from these interest charges?

Mr. HOEGH. Well, sir, in the first place, they are acquiring property here. It is not being disposed of. It is merely a money transaction, sort of a banking transaction, within the Government.

Senator DOUGLAS. Yes, but it enables us to keep our finger on what the program is costing the taxpayers.

Mr. HOEGH. We would still, of course, make that report, and you would know, and yet it is a banking transaction that we think should be eliminated.

There are other programs similar to this where there is no interest charged. I do not recall those offhand.

On the national stockpile itself we do not charge any interest.

Senator DOUGLAS. Various political confreres of yours have charged that this is backdoor financing.

Mr. HOEGH. Yes.

Senator DOUGLAS. I think you have your hand in the cookie jar.

Mr. HOEGH. I am trying to get it out.

Senator DOUGLAS. No; I think you are trying to plunge it in deeper.

Mr. HOEGH. It strikes me as a banking transaction that should be eliminated.

Senator DOUGLAS. Do I understand that in 1958 your office made a similar proposal?

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. I find from the committee's report, Senate Report 2091, 85th Congress, that I objected to it at that time. It was turned down by the Congress; was it not?

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. Is it true that you then went to the Appropriations Committee and you were given enough money to carry you through fiscal 1960 and 1961?

Mr. HOEGH. Yes, sir.

Senator DOUGLAS. You received \$108 million under the Supplemental Appropriations Act, 1960?

Mr. HOEGH. That is right, sir.

Senator DOUGLAS. So it became an outright appropriation, whereas this would have been backdoor financing.

Mr. HOEGH. Well, that is your interpretation. It is not quite mine.

Senator DOUGLAS. You have money for 1961 then?

Mr. HOEGH. We have funds now that we feel on an estimated basis are adequate to take us up to July 1, 1961.

Senator DOUGLAS. Then why do you need this authority now? Why not wait until next year and see if you need it in 1962?

Mr. HOEGH. It is satisfactory with us to wait till next year.

Senator DOUGLAS. May I say that I am opposed to this backdoor financing. I think it is time for this Administration to develop some fiscal responsibility.

Mr. HOEGH. I would say that we have good fiscal responsibility.

Senator DOUGLAS. No, I think this is a very unsound method.

What you are doing is cancelling interest and not showing it as a charge when it really is a charge, subsidizing the operations of your office so that it does not show up on the books. If we make you come and ask for an appropriation, which we do, then it shows up as an expenditure.

Mr. HOEGH. It would still show.

Senator DOUGLAS. It would not be included as an appropriation.

I am going to ask unanimous consent that an analysis of this Defense Production Act borrowing authority which has been prepared by the Joint Committee staff be inserted in the record.

(The analysis referred to follows:)

DEFENSE PRODUCTION ACT BORROWING AUTHORITY

The \$2.1 billion Defense Production Act borrowing authority was increased by the amount of \$108 million through appropriations in the first session of the 86th Congress (Public Law 86-213). The total funds available with the addition of this appropriation amount to \$2,208 million.

The most recent estimates (March 31, 1960) of GSA indicate that the cash requirements through the fiscal year 1960 will be \$121,894,000 less than the \$2,208 million in funds available. These estimates further indicate that the cash requirements through the fiscal year 1961 will be \$9,109,000 less than the \$2,208 million in funds available. It is estimated that the cash requirements will exceed the \$2,208 million in funds available by the amount of \$73,201,000 at the end of the fiscal year 1962, by \$149,885,000 as of the end of the fiscal year 1963, by \$259,726,000 as of the end of the fiscal year 1964, and by \$381,440,000 as of the end of the fiscal year 1965.

In forwarding recommendations for extension of the Defense Production Act, the Director of the Office of Civil and Defense Mobilization indicated that approximately 88 percent of the potential deficit through the fiscal year 1965 would be for payments of interest to the Treasury.

The amount of Treasury interest included in cash requirements varies considerably from year to year. This is understood to be due to the fact that funds are repayable to the Treasury in the form of 5-year notes. As a result, large borrowings from the Treasury for a given year would require large interest payments 5 years later. For example, as of March 31, 1960, the Treasury interest of the various agencies is estimated to be payable as follows:

Fiscal year	GSA	Agriculture	Interior	U.S. Treasury (RFC)	Export- Import Bank	Total
1960.....	\$25,237,000	-----	-----	-----	-----	-----
1961.....	781,000	-----	-----	-----	-----	-----
1962.....	12,086,000	-----	-----	-----	-----	-----
1963.....	45,719,000	-----	-----	-----	-----	-----
1964.....	101,913,000	-----	-----	-----	-----	-----
1965.....	110,966,000	-----	-----	-----	-----	-----
Total.....	296,702,000	\$5,472,000	\$1,763,000	\$25,843,000	\$1,894,000	\$331,674,000

The following table sets forth the forecast of probable cash requirements through June 30, 1965:

Forecast of cash requirements—DPA borrowing authority for fiscal years 1960 through 1965, as of Mar. 31, 1960.

	Estimated cash requirements	
	Fiscal years 1960-65	Cumulative total to June 30, 1965
Net expenditures, actual (1950 to June 30, 1959).....		\$1, 676, 418, 000
Estimated net expenditures (fiscal years 1960 through 1965):		
General Services Administration:		
Purchase of materials.....	\$548, 221, 000	
Sales of materials.....	—109, 248, 000	
Other receipts.....	—9, 389, 000	\$429, 584, 000
Treasury interest charges.....	1 296, 702, 000	
Other expenditures.....	27, 066, 000	323, 768, 000
GSA total net expenditures (estimated).....		753, 352, 000
Other agencies:		
Interior Department.....	1 31, 117, 000	
Agriculture Department.....	1 65, 252, 000	
Treasury Department (RFC):		
Loans and expenditures.....	\$148, 894, 000	
Receipts.....	—79, 916, 000	1 68, 978, 000
Export-Import Bank:		
Loans.....	24, 767, 000	
Receipts.....	—30, 444, 000	1—5, 677, 000
Other agencies total net expenditures (estimated).....		159, 670, 000
Cumulative net total expenditures (estimated fiscal years 1950-65).....		2, 589, 440, 000
Estimated cash deficit, June 30, 1965:		
Borrowing authority limitation.....	2, 100, 000, 000	
Appropriation (Public Law 86-213).....	108, 000, 000	
Total fund available.....		2, 208, 000, 000
Estimated deficit, June 30, 1965.....		—381, 440, 000

1 Total Treasury interest charges included:	
General Services Administration.....	\$296, 702, 000
Interior Department.....	1, 763, 000
Agriculture Department.....	5, 472, 000
Treasury Department (RFC).....	25, 843, 000
Export-Import Bank.....	1, 894, 000
Estimated total, fiscal year 1960 through fiscal year 1965.....	331, 674, 000

Through December 31, 1959, operational losses totaling \$374,838,352 have been incurred by Federal agencies operating Defense Production Act programs from the resale of materials, exploration of minerals, loans and advances, Treasury interest charges and administration costs as follows:

	Operation losses or profits (+)
General Services Administration (facility expansions).....	\$297, 912, 590
Department of Agriculture (agricultural commodities).....	66, 348, 081
Department of Interior (minerals exploration).....	30, 822, 176
Treasury Department (RFC) (loans and facilities).....	+16, 316, 219
Export-Import Bank (loans).....	+3, 928, 276
Total operating losses.....	374, 838, 352

Total assets acquired by the Government through the use of DPA borrowing authority funds amounted to \$1,760,278,481 as of December 31, 1959.

	<i>Assets</i>
Inventory on hand.....	\$1, 410, 242, 500
In transit.....	24, 591, 275
Total inventory (at cost).....	1, 434, 833, 775
Land, structures and equipment.....	97, 666, 399
Machine tools.....	10, 347, 738
Loans receivable.....	183, 943, 146
Cash and accounts, notes, advances receivable.....	26, 250, 273
Other.....	7, 237, 150
Total assets.....	1, 760, 278, 481

Of the total \$374,838,352 losses incurred in the programs through December 31, 1959, losses due to resale of materials made up of about 25 percent, Treasury interest charges about 57 percent, and administrative expenses about 9 percent as follows:

Losses due to resales of materials:	
Minerals and metals.....	\$65, 857, 184
Rubber.....	+ 23, 705, 030
Agricultural commodities.....	49, 991, 143
Total.....	92, 143, 297
Treasury interest charges:	
GSA programs.....	169, 616, 503
Agricultural commodities.....	6, 927, 365
Interior Department.....	3, 582, 979
Treasury Department (RFC).....	28, 464, 978
Export-Import Bank.....	4, 069, 983
Total.....	212, 661, 808
Administrative.....	35, 324, 561
Total (1950 through 1959).....	340, 129, 666

The total Government inventories of materials on hand amounted to \$8,480,645,100 at cost as of March 31, 1960, and \$1,444,438,700 of this total (at cost) was in the Defense Production Act inventory. The materials in the Defense Production Act inventory were made up of \$973,092,800 at cost meeting stockpile specifications, \$292,139,500 at cost not meeting stockpile specifications, and \$179,206,400 at cost not having stockpile objectives.

As of March 31, 1960, the materials on hand in the Defense Production Act inventory had an estimated market value of \$915,408,500. Of the total DPA inventory, the amount of \$1,306,515,100 at cost was in excess of maximum stockpile objectives. The market value of these materials in excess of stockpile objectives has been estimated to be \$804,114,800.

Summary of raw materials inventories—Comparison of acquisition cost with Mar. 31, 1960, market value

[Maximum stockpile objective: Market value, \$4,617,265,700]

	Total inventory			Portion excess to maximum stockpile objective		
	Acquisition cost	Market value	Market value over (+) under (-) cost	Acquisition cost	Market value	Market value over (+) under (-) cost
A. Inventories having stockpile objectives:						
(1) Meeting stockpile specifications:						
National stockpile.....						
Defense Production Act.....	\$5,869,088,700	\$5,999,889,200	+\$130,800,500	\$1,921,716,400	\$1,742,490,400	-\$179,226,000
CCC barter.....	973,092,800	774,083,900	-199,008,900	835,169,200	662,790,200	-172,379,000
Supplemental stockpile.....	129,647,100	130,566,400	+\$919,300	69,405,200	73,638,500	+\$4,233,300
RFC (FFC Texas smelter).....	661,203,200	644,498,100	-16,705,100	516,473,800	496,940,700	-19,533,100
Total.....	9,519,100	8,787,900	-731,200	9,519,100	8,787,900	-731,200
(2) Not meeting stockpile specifications:						
National stockpile.....						
Defense Production Act.....	7,642,530,900	7,557,825,500	-84,725,400	3,351,283,700	2,983,647,700	-367,636,000
CCC barter.....	117,476,200	38,901,900	-78,574,300	117,476,200	38,901,900	-78,574,300
Supplemental stockpile.....	292,139,500	72,187,500	-219,952,000	292,139,500	72,187,500	-219,952,000
RFC (FFC Texas smelter).....	7,700,100	819,100	-6,881,000	7,700,100	819,100	-6,881,000
Total.....	6,313,400	2,049,800	-4,263,600	6,313,400	2,049,800	-4,263,600
B. Inventories not having stockpile objectives:						
National stockpile.....						
Defense Production Act.....	423,629,200	113,968,300	-309,670,900	423,629,200	113,968,300	-309,670,900
CCC barter.....	201,558,300	123,945,500	-77,612,800	201,558,300	123,945,500	-77,612,800
Supplemental stockpile.....	179,206,400	69,137,100	-110,069,300	179,206,400	69,137,100	-110,069,300
RFC (FFC Texas smelter).....	26,029,300	18,669,600	-7,359,700	26,029,300	18,669,600	-7,359,700
Total.....	414,465,000	214,399,700	-200,065,300	414,465,000	214,399,700	-200,065,300
C. Summary:						
National stockpile.....						
Defense Production Act.....	6,188,123,200	6,162,736,600	-25,386,600	2,240,750,900	1,905,327,800	-335,413,100
CCC barter.....	1,444,438,700	915,408,500	-529,030,200	1,306,515,100	904,114,800	-402,400,300
Supplemental stockpile.....	1,145,018,200	134,033,000	-1,010,985,200	84,276,300	77,105,100	-7,171,200
RFC (FFC Texas smelter).....	693,545,900	665,217,500	-28,328,400	547,816,500	516,660,100	-31,156,400
Total.....	8,480,645,100	7,886,183,500	-594,461,600	4,189,377,900	3,312,005,700	-877,372,200

Acquisition cost of inventories—Includes: open market purchases at contract prices, intradepartmental transfers at market prices prevailing at time of transfer, transportation to first permanent storage location, beneficiating, and processing costs; excludes: cost of research, administrative expense, interest expense, accessorial cost, storage, and handling.

Acquisition cost shown for CCC will not agree with CCC records due to difference in GSA's and CCC's accounting treatment of shipping documents and timing in flow of contractors invoices and inspection reports.

TABLE 3.—Long range forecast of probable cash requirements

Assumptions:
 1. Probable deliveries from contracts in effect as of Mar. 31, 1960.
 2. Estimated sales under approved programs.
 3. Payment of interest at note maturity for procurement activities under sec. 302.

[Thousands of dollars]

	Fiscal year 1960	Fiscal year 1961	Fiscal year 1962	Fiscal year 1963	Fiscal year 1964	Fiscal year 1965	Total fiscal year 1960-65
A. General Services Administration:							
1. Cumulative net expenditures, beginning of year	\$1,676,418	\$1,815,384	\$1,948,706	\$2,052,187	\$2,153,120	\$2,287,880	\$1,676,418
2. Act vity during period:							
(a) Expenditures:							
(1) Purchase of materials	173,191	160,462	100,666	57,067	29,365	27,470	548,221
(2) Treasury interest	26,237	781	12,086	45,719	101,913	110,966	266,702
(3) Other expenditures	5,119	5,684	5,171	3,827	3,650	3,615	27,066
(4) Total expenditures	203,547	166,927	117,923	106,613	134,928	142,051	871,989
(b) Receipts:							
(1) Sales to stockpile	0	0	0	0	0	0	0
(2) Sales to others	53,835	30,969	14,000	5,444	0	0	109,248
(3) Other receipts	5,746	2,636	442	236	168	161	9,389
(4) Total receipts	64,581	33,605	14,442	5,680	168	161	118,637
(c) Net expenditures, end of period	138,966	133,322	103,481	100,933	134,760	141,890	753,352
3. Cumulative net expenditures, end of period	1,815,384	1,948,706	2,052,187	2,153,120	2,287,880	2,429,770	2,429,770
B. Other agencies:							
1. Cumulative net expenditures, beginning of period:							
(a) Interior Department	30,774	31,107	30,907	30,647	31,667	31,267	30,774
(b) Agriculture Department	58,807	65,252	65,252	65,252	65,252	65,252	58,807
(c) Treasury Department	146,894	136,693	129,809	113,877	98,952	83,952	146,894
(d) Export-Import Bank	24,767	19,700	14,717	11,238	3,894	-3,625	24,767
(e) Total	263,242	255,722	240,185	221,014	199,765	176,846	263,242
2. Net expenditures or receipts (-) during period:							
(a) Interior Department	333	-200	-260	1,020	-400	-150	343
(b) Agriculture Department	6,445	0	0	0	0	0	6,445
(c) Treasury Department	-9,231	-10,364	-15,432	-14,925	-15,000	-14,974	-79,916

(d) Export-Import Bank.....		-5,067	-4,983	-3,479	-7,344	-7,519	-2,052	-30,444
(e) Total.....		-7,520	-15,537	-19,171	-21,249	-22,919	-17,176	-103,572
3. Cumulative net expenditures, end of period.....		235,722	240,185	221,014	199,765	176,846	159,670	159,670
C. Grand total, all agencies:								
1. Cumulative net expenditures, beginning of year.....		1,939,660	2,071,106	2,198,891	2,273,201	2,352,885	2,464,726	1,939,660
2. Net expenditures during year.....		131,446	117,765	94,310	79,694	111,941	124,714	649,780
3. Cumulative net expenditures, end of year.....		2,071,106	2,188,891	2,273,201	2,352,885	2,464,726	2,589,440	2,589,440
4. Add working cash requirements.....		15,000	10,000	8,000	5,000	3,000	0	0
5. Total funds required.....		2,086,106	2,198,891	2,281,201	2,357,885	2,467,726	2,589,440	2,589,440
6. Deduct fund availability:								
(a) Borrowing authority limitation.....		2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
(b) Appropriation.....		108,000	108,000	108,000	108,000	108,000	108,000	108,000
Total fund availability.....		2,208,000	2,208,000	2,208,000	2,208,000	2,208,000	2,208,000	2,208,000
7. Surplus (+) or deficit (-).....		+121,894	+9,109	-73,201	-149,885	-259,726	-381,440	-381,440

Office of Civil and Defense Mobilization appropriation history

Fiscal year	Civil Defense emergency supplies and equipment for stockpiling	Federal contributions to States and localities ¹	Research and development	Civil defense and defense mobilization functions of Federal agencies	Construction of facilities	Operations		Total
						FCDA	ODM	
1951		\$25,000,000				\$1,750,000		\$26,750,000
1952	\$56,000,000	7,750,000				11,560,000	\$1,711,250	77,021,250
1953	20,000,000	15,000,000				8,000,000	1,250,000	44,250,000
1954	27,500,000	10,500,000				8,525,000	2,750,000	49,275,000
1955	26,000,000	12,000,000				10,025,000	2,161,000	50,186,000
1956	32,650,000	20,400,000	\$2,000,000	\$1,500,000		12,125,000	2,225,000	70,900,000
1957	47,000,000	22,000,000	5,000,000	4,000,000		15,560,000	2,200,000	95,760,000
1958	3,300,000	17,000,000	2,000,000			17,000,000	2,261,300	41,561,300
1959	20,000,000		2,000,000	500,000		20,500,000	2,285,000	45,285,000
1960	6,950,000	10,000,000	4,000,000	6,250,000	\$2,400,000	21,650,000	1,635,000	52,885,000
Total	239,400,000	139,650,000	15,000,000	12,250,000	2,400,000	126,695,000	18,478,550	553,873,550
1961 request	11,400,000	22,000,000	7,200,000	10,000,000		25,750,000		76,350,000
H. R. 11776 ²	6,950,000	10,000,000	4,000,000	6,250,000		24,700,000		51,900,000

¹ Includes equipment, survival studies, and supplies.

² Includes communications and warning expenses, \$22,150,600; information and education expenses, \$24,516,000; and general expenses of salaries, supplies, travel, etc.

³ Passed by the House on Apr. 20, 1960.

Source: OCDM, Apr. 23, 1960.

Senator DOUGLAS. In times past Senator Capehart of Indiana has stressed very eloquently and cogently his feeling that there should be standby price controls in any Defense Production Act. I remember the very able argument that he made some years ago on this subject, pointing out that, if we were suddenly plunged into a war, we should be able to act immediately, if necessary.

Do you take any position on the position which Senator Capehart formerly took? I do not know whether he takes it now or not.

Mr. HOEGH. Well, we have this: We have on our shelves prepared legislation, and it will stay on our shelves—

Senator DOUGLAS. Yes, but you would have to get Congress to act, would you not?

Mr. HOEGH. Yes, we would.

Senator DOUGLAS. Suppose Congress is wiped out.

Mr. HOEGH. I do not think it will be—if you follow our instructions.

Senator DOUGLAS. You cannot be certain of that. An attack may come very suddenly. We will have a great many things on our minds to do.

Why not have this on the books so that that barrier will be removed?

The Senator from Indiana has urged this very strongly. I do not know that I necessarily favor it at this time, but I thought his point of view should be presented—at least his former point of view.

Mr. HOEGH. Well, we have the legislation prepared.

Senator DOUGLAS. Why do you not submit it to us?

Mr. HOEGH. It is on our shelves.

Senator DOUGLAS. Are you in favor of our including it in this present bill?

Mr. HOEGH. It is entirely up to you. I mean that is your prerogative.

Senator DOUGLAS. You are our advisers. Do not be like Pontius Pilate and wash your hands of the matter.

Are you in favor of it or not?

Mr. HOEGH. I have the legislation prepared, and I have confidence that we would have sufficient information as to the increased tensions, and when the increased tensions came about I would be bringing that legislation over here for you to enact.

Senator DOUGLAS. Governor, tensions have certainly increased in these past few weeks.

Mr. HOEGH. Not of sufficient magnitude, in my opinion, to indicate that we are going to be attacked.

Senator DOUGLAS. Well, we hope not. We certainly hope not.

What I am trying to get at is: Do you or do you not recommend that we put a provision for standby controls in the renewal of the Defense Production Act?

Mr. HOEGH. I state that we do not require it at this time.

Senator DOUGLAS. Then you do not recommend it?

Mr. HOEGH. That is right. But we do say further we have the legislation prepared.

Senator DOUGLAS. I know, but it will take time. We are dealing with this now, Governor.

Mr. HOEGH. That is right.

Senator DOUGLAS. If we do not include it now, if an emergency comes, we may have to deal with it after the emergency is here and after great destruction has been wrought.

Mr. HOEGH. No, I feel that you would be given an opportunity to enact it into law as the tensions mounted to such an extent that it indicated that there may be an attack upon this Nation. It would be one of our priority legislative acts.

Senator DOUGLAS. You are taking a big chance, Governor.

Mr. HOEGH. I do not think I am. I have confidence that you would act quickly and that we would have sufficient information to warrant bringing it over here.

Senator DOUGLAS. If the administration does not feel that this is necessary, I do not suppose we can ram it down your throats. Would you oppose the inclusion of such a provision?

Mr. HOEGH. Would I oppose it?

Senator DOUGLAS. Yes.

Mr. HOEGH. If you took the initiative?

Senator DOUGLAS. Yes.

Mr. HOEGH. And enacted it?

Senator DOUGLAS. You do not recommend it. Do you oppose it?

Mr. HOEGH. That would be a question for you. If you passed it over here, then I would pass judgment upon it.

Senator DOUGLAS. What I am trying to get at is: At the moment you are adopting a neutral position, saying, "I do not recommend it." The next question is: Do you advise us against it?

Mr. HOEGH. I have stated this, Senator: I think it must be clearly in the record that we have the legislation drawn. It is there and ready and available when we feel that it is necessary to be enacted, and we would then bring it when we felt it was necessary.

Senator DOUGLAS. You do not feel that it is necessary now?

Mr. HOEGH. That is right.

Senator DOUGLAS. Therefore, you advise against our taking the initiative to put it in?

Mr. HOEGH. At this time I would say yes, but with the condition that I just mentioned to you. I might if the tensions—

Senator DOUGLAS. It is your responsibility then. It is not our responsibility. You cannot blame it on the Committee on Banking and Currency or the Congress if we get into this trouble.

Mr. HOEGH. No, and I would assume it. You do not have to worry about that.

Senator DOUGLAS. Is this a decision purely of your office, or is it a general policy decision?

Mr. HOEGH. I would say that this would be a general policy decision.

Senator DOUGLAS. That is; of the administration as a whole?

Mr. HOEGH. That is right. Including myself.

Senator DOUGLAS. But you want us to have a rubber stamp ready so we will approve a bill for controls when it comes down to us quickly without amendment?

Mr. HOEGH. I want you to be able to enact it quickly; yes, sir; should the time come.

Senator DOUGLAS. In other words, you do not want us to take time to deliberate this matter? We have a month now to operate. We could deliberate this and get a good measure. But you want to give something to us under such pressure of time that all we can do is to approve it. Is this the way that legislation should be carried on?

Mr. HOEGH. No; but you have sufficient history to back up this type of legislation. It is now drawn. It is a matter of bringing it over to you as we feel it is necessary for enactment.

Senator DOUGLAS. It is not too difficult to propose a draft, but to get a good draft is something else again.

Mr. HOEGH. This is a good one.

Senator DOUGLAS. And the legislative process is not instantaneous. There are hearings by committees, passage by one House, hearings by committees in the other House, passage there. We get to a declaration of war fairly soon, even though that may have become obsolete under modern conditions.

Mr. HOEGH. We would bring this legislation over here prior to a declaration of war.

Senator DOUGLAS. Yes; but not necessarily prior to an attack.

Mr. HOEGH. We think so.

Senator DOUGLAS. You have greater faith in the fair play of the Russians than I do.

Mr. HOEGH. I am not basing mine upon fair play, because I agree with you there is not such a thing in war. But I base it upon our constant surveillance of the whole situation. And as tensions would mount and it became quite imminent or quite likely that there would be an attack upon this Nation, this type of legislation would be brought over to you very quickly.

Senator DOUGLAS. In Mr. Khrushchev's speech he said, "Don't worry—"

Mr. HOEGH. Well, I do not agree with anything he says, generally speaking.

Senator DOUGLAS. No, no; of course, you do not, but I mean, don't his intentions worry you?

Mr. HOEGH. I am concerned about them. Of course, I think he is a bully and a bluff, and there might be a few other adjectives.

Senator DOUGLAS. It has been made abundantly clear that the administration does not at this time want standby controls. They are presumably in a better condition to know the facts than we are. I would hate to have this on my conscience.

Mr. HOEGH. Well, it is on my shoulders.

Senator DOUGLAS. Let the record be abundantly clear that this is the decision of the administration, not the decision of the chairman of this subcommittee.

Mr. HOEGH. Mr. Chairman, I want to further add that we have the legislation drawn, prepared, ready to be enacted, and to be brought here as soon as the situation warrants.

Senator DOUGLAS. There would be inevitable delay, and by that time a large part of the damage would be done.

Well, so be it.

Do you have any other comments you want to make, Governor?

Mr. HOEGH. No, sir; except to say in conclusion that we think that the extension of the Defense Production Act is needed, and we urge that it be enacted.

Senator DOUGLAS. I would agree with that. Do you have a list of the outstanding allocations and priority orders under title I?

Mr. HOEGH. Yes, sir. I will put it in the record.

Senator DOUGLAS. Thank you very much.

(The list referred to follows:)

OUTSTANDING ALLOCATIONS AND PRIORITY ORDERS UNDER TITLE I, DEFENSE PRODUCTION ACT

REGULATIONS AND ORDERS ISSUED BY BUSINESS AND DEFENSE SERVICES ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE, WASHINGTON, D.C., IN EFFECT JUNE 1, 1960

(Code of Federal Regulations, Title 32A, Chap. VI)

REGULATIONS

DMS Reg. 1 (as amended December 1, 1959)	Basic Rules of the Defense Materials System.
Dir. 1 (December 1, 1959) to DMS Reg. 1.	
Dir. 2 (December 1, 1959) to DMS Reg. 1.	
Dir. 3 (December 1, 1959) to DMS Reg. 1.	
Reg. 1 (October 1, 1953)	Ratification of Pre- vious Actions.
Reg. 2 (as amended March 23, 1953)	Basic Rules of the Priorities System.
Amdt. 4 (January 11, 1957) to Reg. 2.	
Amdt. 5 (May 9, 1958) to Reg. 2.	
Amdt. 6 (April 27, 1960) to Reg. 2.	
Dir. 4 (as amended April 30, 1952) to Reg. 2.	
Dir. 7 (June 29, 1956) to Reg. 2.	
Dir. 7, Amdt. 1 (May 9, 1958) to Reg. 2.	
Dir. 8 (January 18, 1957) to Reg. 2.	
Reg. 3 (as amended February 1, 1956)	Operations of the Priorities and Allocations Sys- tems between Canada and the United States.
Reg. 5 (as amended October 11, 1951)	Appeals.
Reg. 6 (November 5, 1951)	Transfer of Quotas and Ratings; Transfer of a Business as a Going Concern.

REGULATIONS—Continued

Reg. 7 (April 23, 1952)-----	Interpretations of BDSA (formerly NPA) Regulations and Orders.
Reg. 8 (May 15, 1956)-----	Compliance and Enforcement Procedures.

ORDERS

M-1A (May 14, 1953)-----	Iron and Steel.
Amdt. 1 (June 26, 1953) to M-1A.	
Amdt. 3 (October 7, 1953) to M-1A.	
Amdt. 4 (January 20, 1958) to M-1A.	
Dir. 1 (October 16, 1959) to M-1A.	
Dir. 1, Amdt. 1 (November 17, 1959) to M-1A.	
M-1B (June 29, 1956)-----	Nickel Alloys.
Amdt. 1 (August 17, 1956) to M-1B.	
Amdt. 2 (January 20, 1958) to M-1B.	
M-5A (May 6, 1953)-----	Aluminum.
Amdt. 1 (December 31, 1956) to M-5A.	
Amdt. 2 (January 20, 1958) to M-5A.	
M-11A (as amended December 18, 1956)-----	Copper and Copper- base Alloys.
Amdt. 1 (January 20, 1958) to M-11A.	
Schedule A (Revised as of August 15, 1957) to M-11A.	
M-17 (as amended September 4, 1959)-----	Electronic Compo- nents or Parts.
M-41 (as amended February 5, 1954)-----	Metalworking Ma- chines—Delivery.
Dir. 1 (March 27, 1957) to M-41.	
M-43A (May 6, 1953)-----	Construction Ma- chinery: Distribu- tion.

REGULATIONS AND ORDERS ISSUED BY UNDER SECRETARY FOR TRANSPORTATION,
(DEPARTMENT OF COMMERCE)

(Code of Federal Regulations, Title 32A, Chapter VII)

Transportation order T-1 (December 12, 1950): Shipping restrictions, subgroup A, Hong Kong and Macao.

Int. 1 to T-1 (December 21, 1950): Shipments on American flag ships and aircraft.

Transportation Order T-2 (December 19, 1950): Shipping restrictions Communist China (Amended October 30, 1958.)

Senator DOUGLAS. Thank you very much, Governor.

Mr. HOEGH. Thank you.

Senator DOUGLAS. Would it be asking too much if you would tell us whether in your plans for controls you intend to leave the controls to the States or do you intend to have this a national system?

Mr. HOEGH. Well, it would be a national system. However, it would initially enable the States to put it into effect until we can bring it to pass.

Senator DOUGLAS. The enforcement would be in the hands of the States?

Mr. HOEGH. No, sir.

Senator DOUGLAS. The determination of prices would be in the hands of the States?

Mr. HOEGH. No, sir.

Senator DOUGLAS. What would be the division of authority between the National Government and the States?

Mr. HOEGH. The overall national control system would be by the Federal Government supplemented and assisted and aided by the State governments.

Senator DOUGLAS. Who would fix the prices?

Mr. HOEGH. We would—nationwide.

Senator DOUGLAS. Suppose a State did not want prices fixed in its area.

Mr. HOEGH. Well, under the war power I do not think there would be any chance of escaping that.

Senator DOUGLAS. To whom would the enforcement officials report?

Mr. HOEGH. To whom would they?

Senator DOUGLAS. Yes.

Mr. HOEGH. Under the act?

To the President's designee.

Senator DOUGLAS. Then what powers would the States have?

Mr. HOEGH. It is quite similar to what they had the last time. They did cooperate and did work with the Federal Government.

Senator DOUGLAS. I was not around during the last war but—

Mr. HOEGH. Neither was I.

Senator DOUGLAS. But it was my impression that we had a national system of price control.

Mr. HOEGH. That is right.

Senator DOUGLAS. What changes would you make in that?

Mr. HOEGH. What, sir?

Senator DOUGLAS. What changes would you make in that?

Mr. HOEGH. Over what we had previously?

Senator DOUGLAS. Yes.

Mr. HOEGH. I do not recall distinctly what changes. I think they are a bare minimum. It is a matter of fixing the price at certain dates and things like that, which, of course, would be different than the last war. The anchor date would be different.

Senator DOUGLAS. You mean the point of freezing?

Mr. HOEGH. That is right.

Senator DOUGLAS. Those would differ in different parts of the country?

Mr. HOEGH. No, no. It would be nationwide, but it would be a different date than what we used during World War II.

Senator DOUGLAS. Well, naturally; time has elapsed.

Mr. HOEGH. That is right. There are several other changes like that.

Senator DOUGLAS. It might be helpful if you could cooperate with the Joint Committee on Defense Production, of which I am not a member, in submitting that plan so that when it comes to joint action, not merely an action by the executive branch, it might save time later. At least consider taking the Joint Committee on Defense Production into your confidence as to the nature of that draft.

Thank you very much.

We have letters from the American Bankers Association and the Chamber of Commerce of the United States of America on this legislation. Without objection, they will go in the record.

(The letters referred to follow:)

WASHINGTON OFFICE,
THE AMERICAN BANKERS ASSOCIATION,
Washington, D.C., June 7, 1960.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: In connection with the consideration by the Committee on Banking and Currency of S. 3472, which would extend for 2 years the Defense Production Act of 1950, as amended, I wish to submit this statement of the views of the American Bankers Association.

The association is particularly interested in section 301 of the act which authorizes certain departments of the U.S. Government to guarantee, in whole or in part, any public or private financing institution against loss of principal or interest on loans made to private contractors, subcontractors and others in connection with the performance or termination of defense contracts. This financing program, known as the V-loan program, was in effect during World War II and was reactivated in 1950. It has enabled contractors and subcontractors, both large and small, with the necessary production know-how, but with limited financial resources, to obtain financing needed for the performance of Government procurement contracts.

This program has relieved the Government of the burden of defense financing and the costs incident thereto. The Department of Defense has had a net profit from guarantee and commitment fees and interest received by it in connection with the V-loan program from 1950 to date.

We feel that the V-loan program has made an important contribution to the national defense procurement program. We urge, therefore, that favorable consideration be given to S. 3472 so that the continuance for an additional 2 years of the guarantee authority under section 301 of the Defense Production Act of 1950, as amended, will be assured.

Yours sincerely,

J. OLNEY BROTT,
General Counsel.

CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA,
Washington, D.C., June 1, 1960.

Hon. PAUL H. DOUGLAS,
Chairman, Subcommittee on Production and Stabilization,
Senate Banking and Currency Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR DOUGLAS: The Chamber of Commerce of the United States recommends extension of the Defense Production Act to June 30, 1962, as proposed in S. 3472 on which your Subcommittee is holding hearings.

Extension of the Defense Production Act, which the chamber has supported on three previous occasions, is essential because it provides the basic statutory authority under which the Federal Government conducts part of its stockpiling program and many mobilization planning programs, such as advance planning for whatever system of priorities and allocations may become necessary in the event of a new national emergency.

The chamber further suggests that your subcommittee give favorable consideration to amending the Defense Production Act to give the Office of Civil and Defense Mobilization and the General Services Administration greater flexibility, than is permissible under existing laws, in managing the more than \$8 billion worth of materials in our six stockpiling programs.

As Civil and Defense Mobilization Director Leo Hoegh pointed out in testimony to the Joint Committee on Defense Production, it is extremely difficult, under existing statutes, to take advantage of favorable market conditions for the disposal of stockpiled materials that may be in excess of requirements or no longer needed. He said legislation to take care of this situation was being prepared and would be submitted to this session of Congress, but there has been no such action to date.

The chamber recommends that any such legislation:

1. Consolidate the six currently authorized stockpile programs into two accounts:

(a) A strategic stockpile consisting of materials in readily usable form not in excess of stockpile objectives and subject to the same restrictions and conditions as in Public Law 520, 79th Congress, which governs the current national stockpile program.

(b) A reserve account of materials declared in excess of objectives.

2. Require the maintenance and utilization of industry advisory committees in the establishment and adjustment of stockpile objectives and in the disposal of stockpile reserves.

3. Authorize the Office of Civil and Defense Mobilization, after consultation with industry advisory committees, to submit to Congress proposals for the disposal of certain materials in the reserve account in a manner and amounts that will not disrupt the industry affected. These proposals would become effective after not less than 30 days or more than 60 days of legislative session, unless opposed by resolution approved by either the House or Senate.

The subcommittee should also explore the relationship, or lack of it, between current and foreseeable defense requirements and our various stockpile objectives. It should make certain that those objectives are determined by the agencies that are primarily responsible for our national security and that they are reviewed not less than once a year.

I would appreciate your making this letter a part of the record of your current hearings on S. 3472.

Cordially yours,

CLARENCE R. MILES,
Manager, Legislative Department.

(Whereupon, at 11:20 a.m., the subcommittee recessed, subject to the call of the Chair.)

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GAYLORD

